The MAGAZINE of WALL STREET

June 5th 1926

35 Cents A Copy

EDITED BY

Richard D. Wyckoff

Income Building Through Security Investments

Outlook for Securities Changed by Shift in Basic Conditions

Who Owns the United States?

By U. S. Senator James Couzens

Other Important Features:

10 Attractive Low-Priced Stocks—Business Map of the United States—Which Are "Depression-proof" Industries?—Profits in "Income" Bonds

Vol. 38, No. 3

Member Audit Bureau of Circulation

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Vol. 38, No. 3 June 5th, 1926

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SUBSCRIPTION PRICE, $7.50 a year, in advance. Foreign subscribers please send international money order for U. S. Currency, including $1.00 extra for postage (Canadian 50 cents extra).

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WITH THE EDITORS

That Little Difference of One Per Cent

THERE are two different kinds of investors: one expects too much from his capital, the other takes too little.

The first demands fifty or one hundred per cent in a brief period; the other is perfectly willing to let his money moulder in the savings bank at 4 per cent.

For the first type of investor, there is much to say. At least he wants to make the most of his opportunities. If he fails, he is willing to try over again. Perhaps, if in the meantime he has learned a few of the eternal principles of investment, he may succeed some day. His enterprising spirit may be worth something to him, if it is intelligently directed.

But for the man who continues to pile up surplus funds in savings banks at 4 per cent, or who deliberately shuts his eyes to opportunities by confining his purchases to securities which yield very little, there is not much to say. It is surprising that there are so many investors of this type, men and women who stick to securities suitable mainly to fiduciary institutions without regard to the fact that with an equal degree of safety they could easily increase their income several per cent. The difference of one or two per cent, in terms of the average capital, may not be great in a year's period but stretched over a period of years, the cumulative effect is very great, indeed. The writer is reminded of an acquaintance who has saved out of a very considerable income a large sum of money but which has never left the savings bank. It is not difficult to estimate the difference in the income he could have had by purchasing sound securities yielding 6 per cent or more instead of leaving his cash practically idle at 4 per cent.

The difficulty is probably largely of psychological nature. There are still, despite the popularization of securities as investments, large numbers of individuals who confine their investments to real estate, insurance and the savings bank, but to whom securities are an enigma. Never having bought securities, it is difficult to wean these people away from their life-established habit of placing their funds in other media. This is unfortunate, not merely because these individuals thus deprive themselves of the higher income which they could just as easily secure, but because it eliminates an important factor from the investment field. A potential investment power of perhaps hundreds of millions yearly is thus lost to the investment markets. This has an effect on the value of securities generally.

It would pay the investor in securities to act as a sort of educational committee of one to persuade any of his friends who may not understand the value of securities as investments to join the army of investors. In added numbers, there is safety since one individual's investment has a tendency to insure the investment of another. It is in this way that the work of THE MAGAZINE OF WALL STREET is having such a large influence on the investment field of this country since it has undoubtedly been instrumental in making thousands of investors where there were none before.

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—the comparative position of all the leading securities—bonds, preferred stocks and common stocks—in both groups. Particularly timely in view of new developments. Nearly 150 separate issues are rated as to investment and speculative merit.

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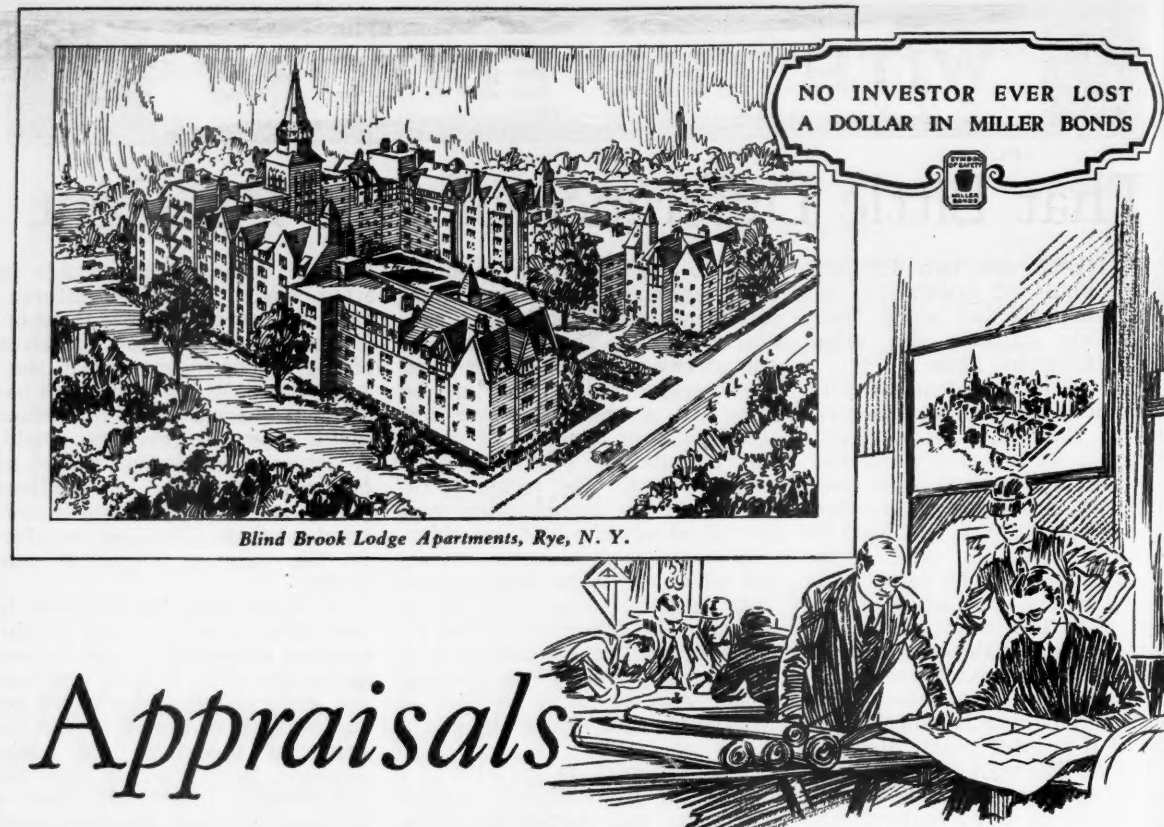
—the next issue is well worth your attention. It not only contains a number of important articles of general security interest but recommends for investment and price appreciation a considerable number of exceedingly attractive issues. We believe you will find this issue useful and profitable.



Blind Brook Lodge Apartments, Rye, N. Y.

Appraisals

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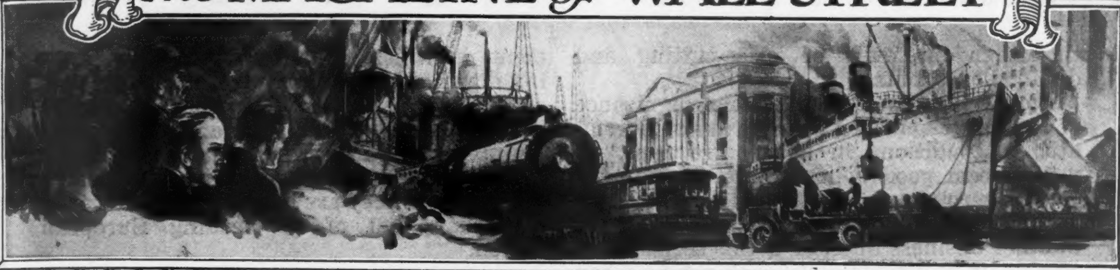

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INVESTMENT & BUSINESS TREND

Abolishing the Railroad Labor Board—Unwise Investment in Over-built Industries—Railroads vs. Industrials—The Drop in Foreign Exchange—Oil Mergers Approved—The Market Prospect

PASSING of the Railway Labor Board has been hailed as a constructive step both by railway managements and railway unions. Under the new Watson-Parker law, just signed by the President, the responsibility for continuation of amicable relations between railway capital and labor is thrust squarely on these interests, with the Government, assuming a passive side. Under the new Law, the Government will have little to say in future negotiations between rail labor and their employers, except in the event of a national emergency, when a special board, appointed by the President, would function.

It has been claimed that the public is not well protected in this bill, since the way, as alleged, would be open for collusion between employers and unions. Theoretically, this seems true but analysis of the possibilities shows that where employers and labor agree upon a wage increase in the hope of securing a rate increase, the Interstate Commerce Commission, whose powers are in no way impaired by this new law, would stand as guardian for the public weal. In other words, it would be impossible for railroad directors and unions to negotiate a wage increase, each hoping to share the spoils of a connived at rate increase, since they would first have to secure approval for such an advance in rates from the I. C. C., which is notoriously prone to lend a deaf ear to such appeals.

The value of the new law mainly consists of the fact that politics is removed from the scene of future railway labor negotiations. It can hardly be said that this was the case with the defunct and unlamented Railway Labor Board. Furthermore, since the new law was brought into being at the express desire of the unions and the employers, it seems logical to believe that both parties realize the responsibility belongs with them.

OVER-EXPANSION

IT may seem somewhat paradoxical to assert that a number of industries in the United States are suffering from an excess of capital. Yet such seems to be the case. The need for employment of large surplus sums by industrial enterprises is leading, in many instances, to investment in new plants and facilities, where, from a national economic viewpoint, these are not needed.

The recent report of the over-building of the portland cement industry seems a case in point. Owing to substantial and protracted prosperity in this industry for a few years past, the field has been inviting and this has encouraged building of new plants. Up to last year, this has not mattered greatly since the absorptive power of the building industry and other consumers, was sufficiently large to keep demand fairly well in touch with supply. Recession of these activities, however, is leading to a situation where, as reported by a leading figure in the industry, there will probably be an overproduction of 30% this year, with possibilities for an over-production of 35% next year. Naturally, such a situation must lead to keen competition in the industry with

the attendant evils of price-cutting and diminished profits.

Industry generally should take cognizance of such developments for they are symptomatic of conditions in many directions. It would seem good policy where an industry is dangerously close to excessive plant capacity that future investments be made in other business lines, or if this seems inadvisable, in securities, until such a time when the normal growth of the country and the underlying normal demand will have caught up with excess productive capacity.

RAILROADS VS. INDUSTRIALS

THOUGH signs of recession in industrial and commercial activities are by this time plentiful, the railroads cannot be said to be faring badly. Tonnage hauled is still satisfactory for the most part but the principal cause for cheer are the undeniably good earnings statements emanating month by month from the carriers. It seems probable that while business, as a whole, will suffer further recession this year, the roads will not be comparably affected, though individual roads, of course, will be influenced by special conditions surrounding the territory they serve. The attention of investors is gradually being drawn to the difference in the general outlook between railroads and industrials. This is being reflected in the stock market and, it may be confidently expected, a number of the sound railroad investment stocks will give a handsome account of themselves as public appreciation of their fundamentally strong position grows.

FOREIGN EXCHANGE

RECENT foreign exchange developments have been interesting. Lire, French and Belgium exchange, and Polish zloty, have performed very poorly. French francs, in fact, reached the lowest level in history below 3 cents. That European financial affairs are coming to a head cannot be doubted. The French fiscal situation, in particular, is hopelessly involved so that it seems doubtful if even the settlement of the French Debt to America may tend to produce a satisfactory solution of France's financial problems.

Inflation of paper currency in France has proceeded to a point somewhat analogous to that in Germany before the final downward plunge of the mark to zero. It seems now that nothing short of prompt and effective measures by the French Government, in which, if necessary, a great scaling down of the internal debt should be carried out, can prevent a further debacle in the French franc. As for many of the other European currencies, with the exception of the Scandinavian, Swiss, German and Dutch, it seems that they are hardly in a better position than that of the leading European nation.

OIL MERGERS

THE decision of the Attorney General that the Standard Oil of New York-General Petroleum merger was not objectionable from the Government's viewpoint is important since it removes a possible barrier to other similar mergers. As stated in the Attorney-General's announcement, the fact that the two companies were essentially in a complementary, not competitive, field indicates that invocation of the anti-trust laws would be indefensible. The fact is that the Standard Oil Co. of New York is largely engaged in distributing whereas General Petroleum is essentially a producer. Future consolidations, where they occur between a refiner and a producer, between a producer and marketer, or between a refiner and a marketer, are likely to meet with a favorable reception in the Attorney-General's office. It is only where the merger of several companies in the *same* precise business occurs, that the ire of the Government apparently seems easy to arouse.

MARKET PROSPECT

UNDER the leadership of railroad and petroleum shares, the market is showing a considerably firmer tone, with possibilities of broadening out into a fair advance. Investment stocks and issues with a good earnings outlook are occupying the centre of the stage. The advance in the industrial issues, however, is by no means uniform and is hardly being shared by those stocks representing companies whose earnings are definitely on the downgrade. It would seem good policy to take advantage of the prospective market advance to dispose of the more speculative types of issue. On the other hand, stocks with investment merit, particularly railroad shares, the better grade oil stocks, and a limited group of public utility and industrial shares seem to have encountered a general demand which is likely to advance them to considerably higher levels.

Tuesday, June 1, 1926

Who Owns The United States?

How the Capital System of The United States is Rapidly Bringing About Broader Distribution of Wealth—An Era of Increasing Good-will Between Capital and Labor

By U. S. Senator
JAMES COUZENS of Michigan

As Told to
THEODORE M. KNAPPEN

"WITH wages the highest they have ever been in the history of the United States, we hear no talk about reducing them. Is it not significant of the reason that during the last five years of high and higher wages the country has risen to higher and higher levels of prosperity?

"Coincidentally, we are witnessing the popularization of the ownership of industry.

"I have an intimate reason for being deeply interested in the high-wage tendency, because I was general manager, and a member of the board of directors, of the Ford Motor Company when it introduced the amazing novelty of a flat $5-a-day minimum wage without regard to the then much lower market price of common labor. We established that rate as an act of justice. In doing so we demonstrated that it was not necessary for individual employers to wait until everybody was ready to increase wages before they did. We proved that any well-managed business can increase the employes' share of earnings without upsetting industry as a whole. Somebody had to pioneer the way into this new conception. The Ford Motor Company had the nerve to make the experiment. Five dollars a day was something so far beyond the ordinary, and at the same time so capable of visualization that it put over with a smash the thought of doing something for employes that would reflect a new conception of industrial relations.

High Wages Are Good Business

"I confess that at first I never thought of the economics of the innovation —only of its justice; but later on I saw that it was good business to pay the highest instead of the lowest possible wages. That is why, ever since I instinctively support a demand for something more than a living wage—call it a saving wage—until I perceive that in the particular case there is no source of more money for more pay.

"High wages (as high as sound management will permit) mean high consumption; and consumption is what interests producers. For industry as a whole to pay higher wages means simply that buying power is increased. And high wages do not imply high costs of production.

"The overwhelming majority of people who are gainfully employed are on payrolls; they are at the same time the overwhelming majority of the consumers.

"Hence it is as plain as day that higher pay means more buying.

"Of course, there is a limit to wages in general and in particular. Wages come out of the product or gross income of an industry, and they must leave room for other factors of production as well as profits.

"But a most interesting thing about the 30% increase in *actual wages*—purchasing power of the workers' incomes—we have had since the beginning of the world war is that it doesn't seem to have lowered capital's participation in the fruits of industry. Labor is more efficient of itself and through improved management and machinery; and even when it is not, the increased velocity of turnover resulting from prosperity, resting on high wages, more than makes up for any increase of labor's share of the income from a particular unit of production. The laborer in a chair factory may get more and capital less out of one chair, but the factory is producing more chairs because there is more demand.

"In passing, I want to say that I am not advocating any self-lifting bootstraps idea of prosperity that will apply everywhere. The Passaic trouble or the problems of the New England textile industry are not to be solved so easily as such problems would be in the case of a vigorous and growing industry. A dying or evolving industry may be the victim of outside circumstances. But even then I hold that the final responsibility rests with industrial leaders. It is their duty to labor and the public to take heroic measures, cut the agony short and terminate an enterprise that cannot pay employes a socially adequate wage. Industrial change is a painful but inevitable process; hard on the subjects but beneficial to society in the long run.

"But I believe that American industrial management has become con-

vinced that high wages are good business, and that labor should receive the maximum. An innovation of good will and sagacity is the new practice of giving industrial employes annual vacations with pay—a practice that already benefits near 300,000 employes. Within limitations short hours are as good for business as high wages. Leisure gives opportunity for the development and satisfaction of new wants and a desire for a higher standard of living. That means more consumption, more production, more wage payments, more profits, and general acceleration of the beneficent cycle. A high wage tends to minimize industrial slowing down (which is as natural as fatigue of the body), because it counteracts pessimism. Employers understand now that panicky force reductions and wage-rate decreases may bring on crises that might have been avoided by keeping production going and the wheel of distribution turning. A by-product of this enlightened attitude will be a reduction of the strike risk. In fact, I think the growing conception of industry as a mutual enterprise has already curtailed strikes and softened the antagonisms that incubate strikes. We are heading off the stratification of society into the fortunate and the unfortunate that made possible the British general strike. Such a strike in America is inconceivable. We are mastering our industrial conflicts instead of letting them drift. Such mastery is largely the responsibility of our industrial captains.

"When labor understands that the aim is the maximum instead of the minimum wage it will go along with capital, like a good sport, provided management is honest, efficient and just. Alone among the labor groups of the world, American labor understands that wages come out of product.

"This brings us to the question of the popularization of ownership of industry, an economic transformation that is proceeding with astounding rapidity.

"Participation by the working people and the public generally in industrial ownership bids fair to demolish any remnants of socialism in America that high wages, and the new intelligence and good will of employers may have left. Karl Marx conceived socialism as the remedy for an irrepressible conflict between employers and employes, wherein the latter always got the worst of it. He pictured the employes as a fixed and rigid class—the eternally propertyless proletariat—who were the natural and implacable enemies of the owners of capital. He never envisaged the condition we are achieving in America, whereby almost every employe is more or less of a capitalist—a labor-capitalist, in whom the supposed economic enemies are united. They say there are now 20,000,000 corporation security owners in America. As there are only 40,000,000 persons in gainful occupations, it is evident that a host of laborers must be putting money into industrial investment. By way of contrast, I said 'only 40,000,000', but that means that one person in three, and about two to each family, are money-winners. Crude as we may think our capitalistic industrial system is, it seems to tend to give employment at good pay to about all the employable—when you allow for the children, the aged, the incapable, and the voluntarily idle. By and large the national income is distributed with a rough approximation of social values.

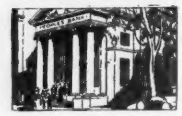
"In fact, American labor is avowedly capitalistic, and that is why it is such a thorn in the flesh of bolshevism and the Third Internationale. Organized labor aspires, through building and loan associations, to make every laborer a house owner; through its own banks and various other co-operative investment organizations it is making its members active capitalists and industrial managers. The building and loan associations, largely supported by wage-earners and small-salary people, built a thousand homes a day last year. Their 6,000,000 stockholders have assets equal to the paid up capital of all the banks and trust companies in the United States. Not long ago in THE MAGAZINE OF WALL STREET, President Green, of the American Federation of Labor, expressed his approval of the direct industrial investment of labor's savings. The growth of capitalism in America has taken a turn that Karl Marx could not have foreseen. Because capitalistic industry has become enormously great it has had to appeal to labor's stocking, with its savings made possible by that same industry. The employes are getting such a share of the product that they have become the main source of new capital. Every time, therefore, that an industry must expand through new capital it broadens its ownership—socializes itself without socialism. I am told that the average corporation security holding in America is only $3,000, which is a revelation of the extension of ownership by the little fellow, in view of the big holdings that must be absorbed in the average.

"I am hopeful that the country is in a fair way to be owned by its workers, of all degree, through the operation of national economic forces and without any resort to law. Under such conditions as prevail here to preach doctrinnaire socialism in the United States is like selling ice machines at the North Pole. *The 'proletariat' is getting all the supposed advantages of socialism without the distress of revolution and agonizing experimentation with a theory.*

Over 50% of all the homes in the United States are owned by their occupants, and the percentage is steadily increasing. We are rapidly becoming a nation of property owners, and in the vanguard of this development will be found the American workingman.

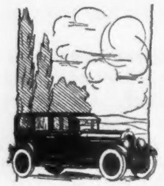
There are nearly fifteen million shareholders and over five million bondholders in the United States. The spread of security ownership has become one of the great economic phenomena of the present generation.

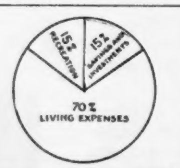
Savings bank deposits including mutual savings banks and other fiduciary institutions of this type, aggregate over twenty billion dollars, an increase of nearly 100% since 1918.



There are fifty million insurance policy holders in the United States, with eighty-six million policies invested in over ten billion dollars in bonds, stocks, mortgages, etc., so that fifty million people are indirect owners of over ten billion dollars of property.

There are over seventeen million passenger cars in the United States, or nearly one to each family, immeasurably far above any other country in the world in this respect.





Of the average family's income, 70% goes toward current living expenses; 15% for recreational purposes, and 15% for investment in homes, insurance, securities, etc. In no other country is there so much distribution of wealth among the masses of the population. Our working people are arriving at a point where they can enjoy the supposed fruits of socialism without the agony of revolution or experimentation with costly theories. Quite a different picture from that in Europe.

"This huge expansion of the ownership of corporate America has an almost unthought of but highly important effect on the stability of prosperity. Corporation affairs are so managed that the bondholder and the shareholder keep on drawing interest and dividends long after business slows up and the worker is out of a job or working for less. Now, when the worker is also a security owner and a coupon cutter and dividend collector he is not necessarily down and out as a consumer because his job is gone or his wage smaller.

"And yet I must say that I personally see objections to general public ownership of industry that raise serious questions as to its desirability though others may not agree with me. The public as a whole is not going to own indus-

try as a whole, of course. Different groups are to own different units. Grave conflicts of group interest with the general interest may, therefore, arise. Let me illustrate from a personal experience: When I was mayor of Detroit I had to deal with the local transit problem. The Detroit United Railways were chiefly owned by stockholders in Canada and New York. The local ownership interest was small. There being no powerful home interest to work through politics and pull, it was comparatively easy to come to an understanding in the general interests of the people of Detroit.

"Now, with widely diffused ownership of any company, there will always be a vigorous element of the public dominated by their own requirements instead of the general good, when a conflict arises between that company and the public. Take a company that has thousands of stock owners among its employes and service users; you have thousands of citizens who will oppose rate reductions and betterment of service because they figure that they are more interested as owners than as patrons. They will follow the cue of the anti-social management, recruit the special interest lobbies at Washington, local capitols and at city halls and confuse group and general concerns.

A Problem

"Again, I can't see any prospect of large corporations being actually controlled by the widely scattered small shareholders. The people will provide the capital but the enormous power of the corporations will be in the hands of an inside group.

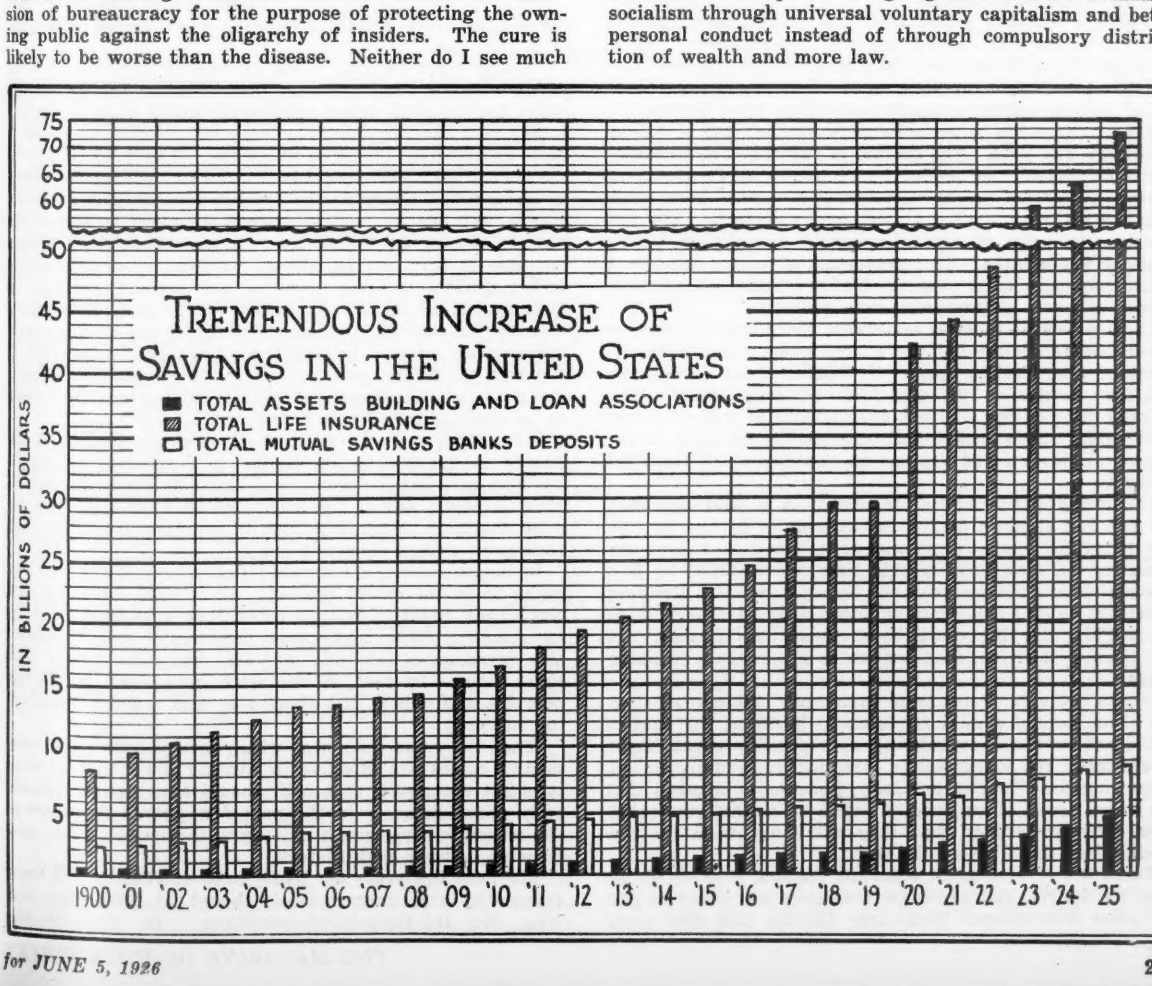
"Thus we are confronted by the prospect of the economic power of the nation concentrated in a few hands not identified with the major share of ownership; unlimited power without responsibility. And the ownership is as fluid as the ownership of money. Shareholders in and out as the market fluctuates, are not the stuff for corporation souls.

"I see no specific remedy for this evil. I dread the creation of more governmental commissions and the extension of bureaucracy for the purpose of protecting the owning public against the oligarchy of insiders. The cure is likely to be worse than the disease. Neither do I see much promise in associations of shareholders for the purpose of keeping tab on directors and executives, and mobilizing share voting strength to discipline them. That merely exchanges one group of insiders for another. If these associations become powerful enough to effect their ends the thousands of small shareholders will have their affairs at the mercy of the association's executive staff, which will be as hard to control or oust as the actual managers of the company. The same is true of investment trusts.

Big Men's Attitude Improved

"I said there was no remedy. There is one that almost seems chimerical, that is, a better type of captains of industry—men with a broader vision of their obligations and their responsibilities. If we were all really practicing benefactors instead of lip servers this problem would be solved. There is really no efficacious control of great corporations and of government beyond the control executives exercise over themselves. No man has a right to accept a great corporation office unless he takes it in the same prayerful mood that a man takes the presidency of the republic. His duty is not alone to his directors, not even to his shareholders, but is to the whole public. Unless we can raise up corporation executives on this new model the vast extension of the popular ownership of industry will only breed new ills to plague us all. To all our bureaucracies, with all their evils, we will but have added a host of analogous industrial bureaucracies.

"I don't know whether human nature is equal to the requirement, but I am willing to go so far as to say that there is a distinct change—improvement—in the attitude of many of the big men at the business helm. The imperious autocrat of the 'public-be-damned' type is disappearing, and there is crystallizing a tradition of public duty. Somebody has said that socialism will not work unless all men are animated by Christian ideals, and that if all men were so animated there would be no need for socialism. Perhaps we are going to realize the dreams of socialism through universal voluntary capitalism and better personal conduct instead of through compulsory distribution of wealth and more law.



Outlook for Securities Changed by Shift in Basic Conditions

How Lower Commodity Prices and Declining Interest Rates Will Affect the Trend of Various Securities

By E. D. KING

THIS article has been designed as an aid to investors who would devise a plan for their investments during the next year or two. It should be read not only with an eye to future investments but as a guide in adjusting present holdings of securities. The article has been prepared in great detail and is worth careful study.

TWO factors are in the making which over a period of time will probably change the complexion of the investment map. These are the definite decline in commodity prices, which has been developing for a half year, and the more recent tendency toward lower money rates. Both will have a pronounced influence on future bond and stock prices and, hence, form one of the most important fields to survey today.

The Commodity Price Decline

From August to December, 1925, commodity prices were practically stable, despite a sharp increase in production and consumption. Since the beginning of December, they have been declining. The *Bradstreet* commodity index then stood at $14.41 for a long list of representative commodities but declined by May 1 to $12.86. One has to go back to September, 1924, to find an equally low level. The decline is partially due to lower prices for agricultural products such as corn and cotton, but is also due to declines in representative commodities used in manufacturing, such as steel and chemicals. On the average, the price of raw commodities has shrunk 10.8% in about five months. This represents a serious difference to interests engaged in production of raw materials, as their margin of profit is proportionately reduced.

As to prices of finished materials, there has not been a corresponding decline but there, too, lower prices have developed. The average price of finished steel during the first four months of 1925 was 2.537 cents per pound. The average price during the first four months of this year was 2.435 cents. This decline has occurred in the face of the largest production and demand in the history of the steel industry.

The group index figure for chemicals a year ago was 127 but has slumped in the recent past to as low as 120. The index for house-furnishing goods stood at 173 at the beginning of 1925 and by this time has dropped to 163. Leather stood at 153 a year ago and is now 140. Building materials, in the same period, have declined from 183 to about 175. The list could be extended considerably. At any rate, it is shown that we are in a period of declining prices.

If this were in response to temporary influences bringing about merely a mild recession in business, the subject would not be worth considering as a possibly great factor in changing the longer-range direction of security prices. Regarding the situation critically, however, it appears that the broad trend of commodity prices is downward though it is entirely unlikely that they will ever reach the low levels which stood before the war.

There are several great economic factors, over which we have no control, and which in themselves are likely to pull our price level down. These are: (1) the fact that world prices are considerably lower than our own; (2) that commodities and goods abroad are coming into greater competition with our own; and (3) that costs of production abroad are lower than in the United States and that individual industries in this country are being and will be affected by this situation. Added to this combination of circumstances the fact that our plant capacity is in excess of actual needs, and it does not require much further proof to indicate that supply is gradually catching up with demand and is passing it. This is the reason for the lower price scale in existence today as compared with that of a year ago.

Casting light on the broad change in the direction of prices may be cited the fact that whereas ten or fifteen years ago the department store buyer was a most important factor in such organizations, today his position has largely been assumed by the sales executive. The fact is that in the earlier period demand was in excess of production owing to our comparatively poorly developed production capacity. Hence, with an inadequate amount of goods available, the "buyer" was a very important factor. Today, our plants are able to turn out an almost limitless amount of goods and materials and the problem has become one, not of buying, but of finding an outlet for goods. This means pressure on markets, a pressure which exerts an inexorable influence on prices. Though it may not yet be apparent in the cost of living, prices over the past few years have certainly been declining and within a few years this ought to be reflected in a lower living cost.

Since 1920, in fact, except for temporary periods of advances in commodity prices due to temporary spurts in business activity, the price trend has been gently downward. This is merely one of the more obvious phases of a world-wide condition which is gradually bringing the world back to a more normal economic basis.

In the meantime, a somewhat similar movement has been going on in the money market. Since 1920, which marked the highest point in interest rates, they have been receding. In August, 1920, high-grade commercial paper reached the tremendous altitude of 8% but has never been there since. In fact, it has since been down to slightly over 3% and is now just above 4%, with a distinct slackening tendency.

Since the same influences which bring about lower commodity prices are effective in causing lower money rates, it is not surprising that both should have declined practically simultaneously in the past few years. A glance at the accompanying graph will show the usually close relationship between both factors.

The next few years are likely to be marked by still lower commodity and interest levels though at times they may rise, due to temporary conditions. In view of this

prospect, it is important to discuss the likely effects of this situation on the great groups of securities.

Effect On Bonds

Speaking generally, a lower commodity price level in combination with lower interest rates furnishes a very favorable background for higher bond prices. As readers of this publication are well aware, fixed income-bearing securities (bonds and preferred stocks) fluctuate in accordance with the trend in the cost of living and interest rates. As the amount of income in dollars is fixed, the value (hence price) of the security will rise as the purchasing power of the income derived increases, and will decline if the purchasing power declines. When the cost of living is high, the actual buying power of income derived from fixed income-bearing securities shrinks, hence, the security becomes less valuable. When the reverse situation is true, the bond—or preferred stock—becomes more valuable. That is why, when commodity prices were so high in 1920, bonds sold at comparatively low prices and also why owing to the decline in commodity prices since 1920, bonds have steadily risen.

The influence of interest rates on fixed income-bearing securities is hard to separate from the factor of commodity prices. Nevertheless, it has a special bearing on security prices. The direction of the bond market is generally set by large institutional investors such as insurance companies, commercial and savings banks. These are lenders of money. When money rates are low, their inducement to loan their funds out is diminished. Hence, at a period when money rates are likely to decline, institutional investors, with an investment power running at times into billions, must find other ways than direct loans to invest their money profitably. The bond market offers this opportunity. Hence, the buying of bonds by these extremely important investors forces bond prices upward, and, when the public finally commences to appreciate the situation, a broad movement in these securities ensues.

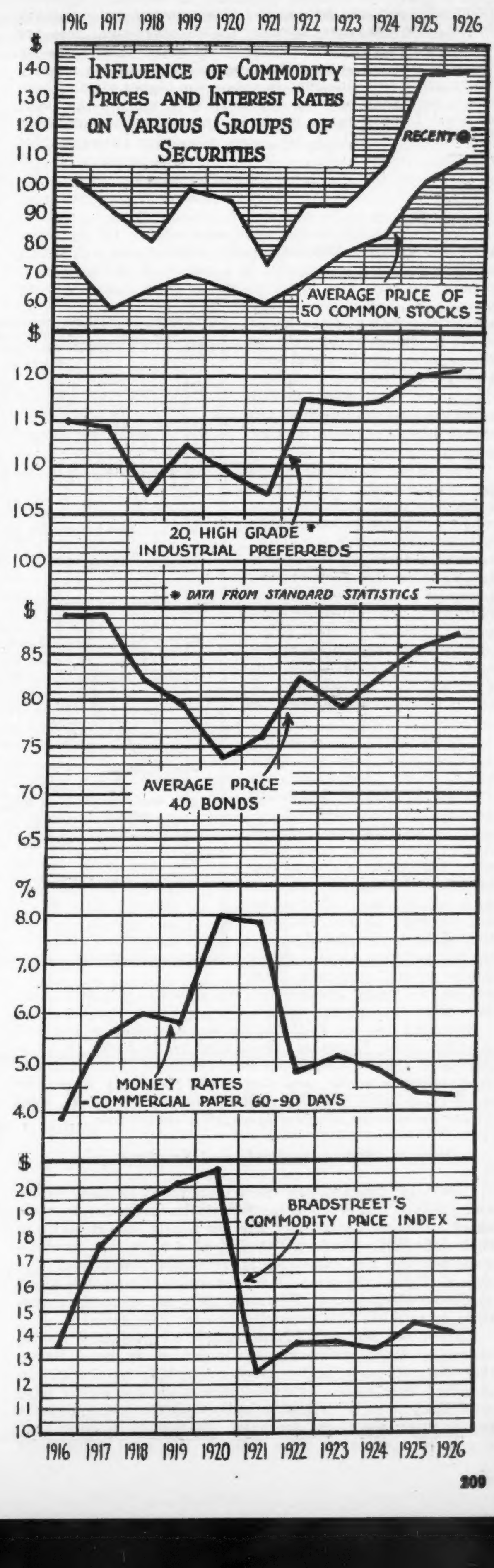
It is important to understand the influence of these conditions on securities, or it will be impossible for investors to appreciate the great changes taking place in the securities field. Summarizing briefly, then, the influence of lower commodity prices and lower interest rates is decisive on security prices—but their influence on various groups of securities differs widely. In order to understand how these influences work out, it is essential to discuss each single group of securities. They are divided into: (1) bonds; (2) preferred stocks; and (3) common stocks. Each group is further sub-divided as shown in the following.

1—High-grade Bonds

These securities are most closely affected by changes in commodity prices and interest rates. If the trend of the latter two factors is toward lower levels, as they are at the present, high-grade bonds will advance. Money is now at about 4% and high-grade issues are yielding from 4½ to 5½%. Even if money should not decline, the widest difference between the current money rate and the highest yield afforded by a high-grade bond should not be more than one per cent. This would mean for high-grade bonds, yielding 5½%, an advance of from three to seven points in the average. Those yielding less, of course, do not contain such profit possibilities. On the other hand, if, as seems likely, money rates in several years will decline to 3%, then all classes of high-grade bonds will advance for a long period until they sell a number of points higher than the present. The current average of 40 sound bonds (*New York Times* average) is about 87 but in a 3% money market, the average should advance to nearly 95.

2—Sound (Medium-grade) Bonds

This class is also affected by lower commodity prices and interest rates though not as much as high-grade bonds, since the latter have behind them always the potential buying power of large institutions. Legal restrictions, except for certain types of institutions, such as fire insurance companies, investment trusts and the like, do not permit investment in second-grade bonds by fiduciary institutions,

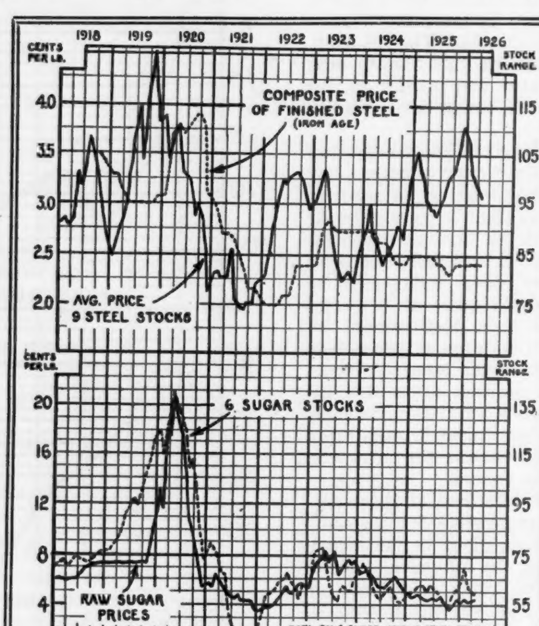


principally savings banks, and this removes an important factor from this class of bonds. On the other hand, they are readily purchased by large individual investors and also by the rank and file, especially those willing to take a slightly lower grade bond in order to obtain the higher yield. These issues now yield between 5½ and 6½%, and, in the event of lower interest rates, would advance a considerable number of points. There are many attractive issues in this group.

3—Speculative Bonds

This class cannot be discussed as a whole. Of the three principal groups—railroads, public utilities and industrials—the latter fare the poorest in a period of declining commodity prices. The trend of money does not apply so heavily to speculative bonds since the position of the latter depends almost exclusively on the earnings and financial position of the issuing company. They are very much in the same class as stocks, which are affected by changes in earning power.

Since lower commodity prices are symptomatic of a lower margin of profit it follows that where this situation occurs with respect to any individual company, those of its securities most deeply affected by the earnings position, will decline. Naturally, the industrial companies are most affected. Speculative steel, oil, copper, sugar and other industrial bonds will fluctuate as the earnings of their companies increase or decrease.



The above graphs show that changes in commodity prices influence earnings and, hence, stock prices. The sugar graph brings this out most clearly. While the same connection between steel prices and steel stocks existed up to the middle of 1924, since then new conditions in the industry have tended to make this influence less important. However, most industries are still affected by changes in their commodity prices.

The situation is somewhat different with rails and utilities. These industries are favored by lower commodity prices since their costs of operation are thereby reduced. At the same time, since their rates remain more or less stable, the reduction in costs acts as a stimulating influence on net earnings. Hence, the position of the better placed speculative railroad and utility bonds should improve. Of course, individual analysis of the security will determine this point.

Summing up, we find that lower commodity prices and interest rates favorably affect high-grade bonds, have a somewhat similar though not so pronounced affect on sound medium-grade bonds, and that while they may favor the more speculative types of railroad and utility bonds, they do not necessarily so affect speculative industrials.

Effect on Preferred Stocks

Generally speaking, the effect of lower commodity prices and cheaper money on preferred stocks is similar to their effect on bonds, except they are not nearly so automatic in their influence. Preferred stocks, as a class, are fixed income-bearing and consequently resemble bonds from this aspect. Hence, the same conditions which affect bonds affect preferred stock issues. However, there are so many exceptions as to make this generalization of little value.

Except for the very highest grade of preferred stocks, especially those which are not preceded by bond issues, this class of issue is far more susceptible to changes in earnings than bonds. Furthermore, preferred stocks have a tendency to move sympathetically with the common stocks representing the same company. Hence, as a class they are more speculative than bonds. Yet vital distinctions should be noted as brought out in the following analysis:

1—High-grade Preferred Stocks

Where the position of a preferred stock is unquestioned as to continuity of dividends, it may be considered for practical purposes in the same position as a bond. Thus, U. S. Steel preferred has such a very wide margin of earnings over its dividend requirements that nothing short of prolonged prostration in the steel industry could possibly affect the dividends on this issue. This certainty gives an issue of this type preferred rating. Hence, being immune as a rule to influences which make common shares fluctuate, it commands a market value or less strictly based on the value of the steady income which it produces. Thus, it will tend to move more nearly in accordance with interest rates than stocks, but not quite so much in accordance as bonds. Thus, the U. S. Steel sinking fund 5s under any money market conditions will tend to sell on a proportionately higher price basis than the preferred stock. Today U. S. Steel 5s yield a straight return of about 4.7% whereas the preferred stock yields about 5.6%, but this is on the basis of the present money market situation at 4%. If money should decline to 3%, and stay there for some time, the Steel bonds would yield not much over 4% and the Steel preferred issue would advance to a point where it would yield not much over 5%. This is true of all similarly well secured preferred stocks. These will all tend to advance to higher levels as the cost of living declines and money rates fall.

2—Second-grade Preferred Stocks

This class of issue is hardly affected by money rate conditions but is quite affected by commodity price changes, especially commodities produced or used by the specific company. A drop in raw sugar prices, for example, would tend to hold down the price of even a good sugar company preferred stock, whereas an advance in sugar would probably stimulate the price of the stock. In this, it resembles very much the common stock. The financial condition of the company will have a good deal to do with the price of the preferred stock in this category. If sound, regardless of a temporary drop in earnings, the second-grade preferred will tend to stabilize. If the company's financial position should become impaired, however, through prolonged poor earnings, the stock will decline into the speculative class.

Speaking generally, however, it is hard to find a relation between the price of second-grade preferred stocks and the money market, though their relation to the trend of commodity prices is often very close. In the event of lower commodity prices and interest rates, the position of the sounder second grade preferred issues, particularly of companies like railroads and utilities, would be advanced somewhat but those of industrial companies would probably sell off.

The action of preferred stocks in the present market is quite illuminating. Where the common stocks of the same company has been weak, it will be found that the preferred stock has also declined though naturally the decline has not been nearly so pronounced. Of course, the greater the value of junior securities to the preferred stock, the

higher the price at which the latter will tend to sell.

3—Speculative Preferred Stocks

The position of these issues is entirely independent of the trend in money rates but almost entirely dependent on the trend of earnings, hence commodity prices. No general conclusion can be reached here except that as with second grade preferred issues, the speculative preferred stocks of industrials, in a period of declining commodity prices, are not likely to fare as well as those of railroad or public utility companies.

To summarize, the influence of commodity prices and interest rates is not so pronounced on preferred stocks as on bonds. Highest grade preferred stocks are favorably affected but those of lower grade depend on the trend of earnings of their companies. Speculative preferreds of industrials are likely to shrink in value.

Effect on Common Stocks

The study of the effect of commodity price fluctuations and interest rates on common stocks is one of the most difficult and interesting of all the various aspects of the investment field. No common formula can be set forth to apply to all. Each company in the industrial field is effected variously by changing commodity price conditions, depending upon the commodity or commodities manufactured or used by the company in question. Before, however, we treat of the effect of commodity prices on industrial companies, it is necessary to consider the position of the railroads and public utilities. Since these two great branches are not producers of goods but consumers, it follows that they are intimately affected by the cost of their production. Unlike industrials they cannot pass on higher costs by charging larger prices, since the rates they receive are fairly well fixed by law and change but slowly. Hence, an advance in the cost of commodities is generally regarded unfavorable for the railroad and utility companies. On the other hand, a decline in commodities may be considered favorable since the margin of profit of operations is widened owing to lower cost of production while revenues may remain the same.

Yet there is another factor to consider in connection with the railroads and utilities. If a company in either of these fields happens to operate in a district of the country particularly affected by a change in the price of one of its important staples, that company's earnings will be affected one way or another. For example, though a railroad generally may be benefited by lower cost of operation owing to lower fuel, steel, lumber costs, etc., its revenues may, notwithstanding, be affected by loss of traffic occasioned by depression in any industry on which it might depend for a good part of its traffic. Hence, any reduction in operating costs might be offset by a corresponding reduction in gross revenues. This, of course, will apply only to certain railroads, whereas others may not lose much traffic in a poor business year but in any case gain a sufficient amount through reduction of operating costs as to permit a satisfactory earnings position. This point is brought up to show how complicated the question of commodity prices vs. common stock earnings may be. The same situation applies, of course, to the public utilities except that, unless a utility company happens to depend largely on the condition of a certain industry or industries within the field of its operations, and which may be depressed, it generally gains more than it loses through lower commodity prices. This, for utilities, however, would be a rather exceptional situation, since demand for utility service is not as a rule dependent on general business conditions.

In the purely industrial field, the effect is very deep. A producer of a raw commodity such as sugar or copper or oil is at once affected by changes in the prices of these commodities. If their trend is down, unless through special circumstances he is able to increase his sales, his earnings are inevitably bound to diminish. Hence, the almost certain prospect for lower commodity prices may be regarded as unfavorable on common stock values, as relating to producing companies. In manufacturing companies the situation is about the same. True the lower cost of materials bought with which to manufacture brings about a lower cost of operation, but since the general situation is symptomatic of falling business demand, the decline in sales and the decline in prices which the manufacturer may now receive, almost always brings about a lower rate of earnings.

There are some important exceptions. The 5- and 10-cent store field, for example, should not be adversely affected by a lower commodity price level. On the contrary, it should be favorably affected since the cost of goods is lowered while the price received remains the same.

A company like Corn Products may be favorably affected by a drop in corn prices but unfavorably affected by a drop in sugar. When the combination of low corn and high sugar occurs, Corn Products generally makes large profits.

The situation, necessarily, is most complex. It is significant, however, that the best earnings of industrial companies have been in a period of rising commodity prices and the poorest in a period of declining prices. Hence, the outlook for further contraction in commodities may be regarded as an adverse influence on industrial earnings.

As to the influence of interest rates on common stocks, it may be said that the influence is important only when the common stock is in the investment class and where its dividend is assured. Even here the influence is slow and not nearly so effective as in the case of bonds or the better grade preferred stocks.

Summarizing, we find that a lower commodity price level may affect railroad and, particularly, public utility earnings favorably but that, on the whole, they have no such beneficial effect on industrial company earnings. Hence in a period of declining commodity prices, one might reasonably assume railroad and public utility shares to fare better than the common shares of industrial companies, except where the latter possess a definite investment merit, or where they are influenced by special conditions.

How General Commodity Price Declines and Low Interest Rates Affect Important Security Groups

	Class	How Affected	TYPE OF ISSUES
Bonds	High-grade	Favorably	Atchison Gen. 4s; U. S. Steel 5s.
	Medium-grade	"	Missouri Pac. Gen. 4s; B. M. T. 6s.
	Speculative	Unfavorably	Botany Consolidated 6½s; Warner Sugar 7s.
Preferred Stocks	High-grade	Favorably	U. S. Steel pfd.; Union Pacific pfd.
	Medium-grade*	Unfavorably	Cuban-Amer. Sugar pfd.; U. S. Rubber 1st pfd.
	Speculative*	"	Cuba-Cane Sugar pfd.; Amer. Hide & Leather pfd.

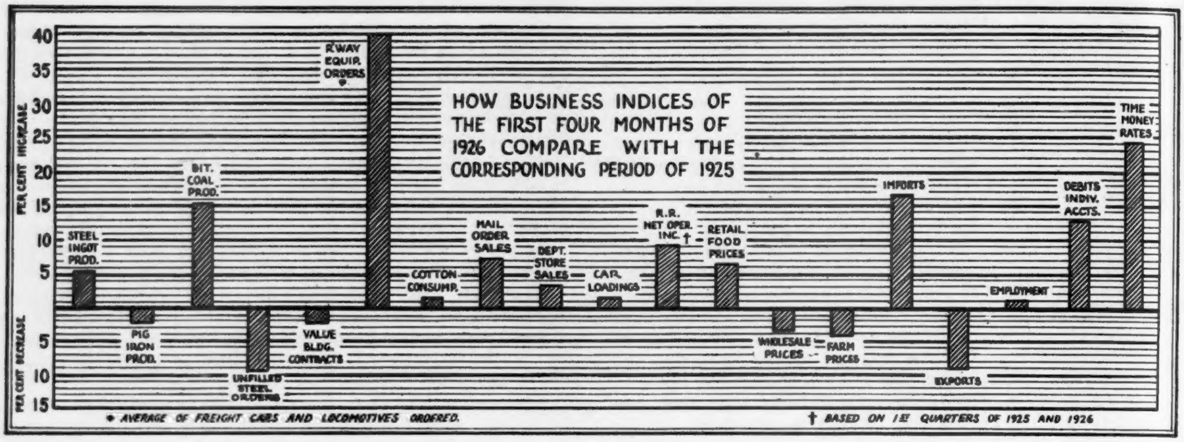
	Class	How Affected	TYPE OF ISSUES
Common Stocks	Railroad	Favorably as to cost of operation: Possibly unfavorable in some cases as to revenues*	Sound Issues: Union Pacific; N. Y. Central. Weaker Issues: Chi. & Eastern Illinois; Chi. Gt. Western.
	Public Utility	"	Sound Issues: People's Gas; Hudson & Manhattan. Weaker Issues: Montana Power; Amer. Water Works.
	Industrial	Unfavorably*	Sound Issues: Amer. Bank Note; Corn Products. Weaker Issues: Moon Motors; Stromberg Carburetor.

*See text

Sectional Analysis of Business Conditions in the United States

As Revealed by Our Special Investigation Into the Profit Situation Affecting Leading Trades and Industries

By E. KENNETH BURGER



As a result of numerous inquiries on the business situation, we have conducted an investigation, for the benefit of our subscribers, into the precise condition of leading trades and industries in all the important sections of the country.

Trade and industry continued through the early part of 1926 at the same high rate of the past year. Near the end of the first quarter, however, a gradual, and not unexpected, recession began to materialize. The map on the succeeding page gives a condensed impression of the status of the dominant industries at present; although, in grading into poor, fair and good, considerable weight was given to trend and indicated future developments.

It may be noted that detailed evaluations have been avoided to preserve simplicity. Obviously where only three grades are used, "good," in one industry may represent slightly more satisfactory conditions than in another similarly marked. "Fair" may indicate prospects of emerging from conditions now unfavorable, as in the case of the coal industry; or it may denote a definite prospect of receding from present prosperity. "Poor" connotes unprofitable operations, due to overproduction, flooded markets or low prices.

The chart above is a comparison of the behavior of business barometers during the first four months of this year and the corresponding period of 1925. They indicate the weakness of the raw material market and the downward trend of prices. On the other hand, such items as bank debits, car loadings, retail sales and railroad revenues give evidence of well supported activity in many directions.

Following are the conditions in the various sections of the country.

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1. *NEW ENGLAND STATES*

The basic industries of New England achieved the largest volume of business during 1925 of any peace time year, but whereas the activity extended well into 1926, some contraction has been developed. The general aspect of the section, however, remains one of moderate prosperity.

The paper industry leads off, with first quarter operations exceeding those of last year. A price reduction in newsprint of $5 per ton at the first of the year served to stimulate contracting, and sales volume has been maintained to a point where mills are near capacity with stocks still low. The record production of 1925 bids fair to be equalled or exceeded, in view of the rapid growth of paper consumption. Extension of periodical and daily paper circulation, together with the spread of advertising, has resulted in an increase in paper consumption of 10 pounds per capita in the past five years.

The shoe industry, in common with others of this section, suffered from adverse weather conditions of a late spring. Moreover, while hide and leather prices average 7% lower than last year and special concessions to the shoe manufacturer have prevailed, the profit margin has not widened materially. This has been largely due to irregular buying and the demand for cheaper goods. With the advent of warmer weather trade has picked up materially, and with the aid of a strong demand for women's novelty, is now close to normal operation with fair prospects.

Textiles are not quite so happily situated. The besetting difficulty is an unsatisfactory price margin. Whereas the trend of raw wool, silk and cotton has been steadily downward since January, 1925, the finished goods have shown a similar tendency, averaging some 12% below last year's levels. In disposing of finished goods it has been necessary to contend with the difficulty, common to so many lines, of "hand to mouth" buying. Further, the market has been considerably contracted by the decline in export trade.

At present, the feature of all textile manufacture is curtailment of output; but this comes after a period of considerable activity and is more or less enforced. Cotton mills, with sales volumes averaging 20% less than last year, with prices 1 to 5 cents per yard lower, are curtailing 25%. Woolens are under 70%, and the garment trades as low as 50% capacity.

It is the general feeling that curtailment and low prices will be their own remedy and stabilization in the industry is anticipated.

The Maine farmer produced a short potato crop last year. It coincided with a national shortage of 24% less than the preceding year and substantial profits were secured. This year, with the supply still meager, his prospects continue favorable.

The Connecticut farmer, on the other hand, over-produced his tobacco, which, under the best conditions, must meet the

BUSINESS CONDITIONS IN UNITED STATES

—LEGEND—

GOOD FAIR POOR

Only three grades of business conditions were chosen in order to present a simple and readily assimilated conception of general conditions. GOOD connotes prosperity, good production, profitable market, favorable prospects. POOR is indicative of unprofitable operation, flooded market, low profit margin. FAIR, the intermediate grade, implies satisfactory average with uncertain outlook.

competition of Porto Rican in the cheap cigar trade. This year he is bound to proceed with more conservatism to avoid disaster.

Trade in New England has been fairly active. Retail sales have been good, the department stores reporting the best first quarter for this section of any year. Building, while breaking all records in 1925, quieted down somewhat early in the year, but struck its pace once more in April, exceeding the corresponding month of last year by 27% in value of building contracts.

2. *MIDDLE ATLANTIC STATES*

New York City, as the chief commercial center of the country, reflects many national aspects of business. It indicates a decline in wholesale trade as the season advances, with accumulation of merchandise stocks in several lines. On the other hand, retail trade is at least on a parity with 1925, with department, shoe and apparel stores showing about 9% better sales volume. Employment has shown a slight increase and manufacture in the metropolitan district does not evince much curtailment except in garments and textiles. Chemical production is active and those lines contributing to the building industry continue full operation.

As a major seaport, New York is a witness to the prolonged struggle of shipping to wrest a profit from a world overstocked with ships and burdened with low freight rates.

Of the major industries of the Middle Atlantic states, soft coal mining is probably in the weakest position. It is another case of over-production. Indeed, it has been recently said with much truth, that our mines are over-developed and manned to a point far exceeding requirements. In which connection it may be noted that 32% of the electric power developed by public utility plants is now *hydro*-electric.

In spite of price declines and general slackness of spring orders, curtailment of mine operations did not set in until the first four months of the year had seen 15% more bituminous coal produced than in the corresponding period of last year. Reduction in mining is now in progress as the summer approaches. As the belated lake season opens and foreign orders materialize, heavy stocks are beginning to come down.

The anthracite operator is in much the same position as the bituminous. At the cessation of the strike he began maximum production. The anticipated spring demand, however, did not come up to expectations in spite of price cutting tendencies. It has been reported to Congress that the cost of mining anthracite is $6.25 per ton, of which labor constitutes $4.62, with a net profit realized of only $0.38.

Obviously both anthracite and bituminous coal producers are looking to their labor costs. As an indication of which, it is said that, despite the Jacksonville

(*Please turn to page* 254)

Industry and Trade in Twenty Cities

Boston—
Value of building contracts in April largest ever reported. Retail and wholesale trade slowing. Manufacturing fairly active.

Providence—
Curtailment in textile mills increasing. Machinery and tool manufacture in fair condition. Trade adversely affected by cool weather.

New York—
Retail trade improves and of satisfactory volume, as season advances. Automobile sales good. Manufacturing in nearly all lines is in normal condition. Wholesale trade about 3% less volume than last year.

Philadelphia—
Manufacture, trade and building on a par with last year. Agricultural implements, automotive and electrical equipment active. Furniture and leather quiet.

Pittsburg—
Retail and wholesale trade only fair. Glass and hardware stronger. Coal shows poor sales volume.

Cleveland—
Iron and steel mills running slower than month ago but fairly busy. Coal improves as Lake season gets under way. Trade generally quiet.

Cincinnati—
Building active but in less volume than last year. Employment is good. Wholesale trade fair and retail recovering its volume.

Detroit--
Automobile production curtailed. Residential building being pushed. Retail trade ahead of the early part of last year.

Chicago—
Steel industry strengthened during May. Manufacture of machine tools and farm implements ahead of last year. Meat packing and dairy products in fair volume with prices trending lower. Retail trade is good.

Baltimore—
Wholesale and retail trade quiet, having suffered from late season. Building less than a year ago; but demand for steel, hardware, and paint continues good.

Atlanta—
Cotton mills curtailing 25%, and manufacturing generally slowing. Building continues good April exceeding last year by 25%.

New Orleans—
Unseasonable weather continues to affect retail trade; but manufacturers on full time with good prospects ahead. Considerable building is in progress.

St. Louis—
Shoe and clothing industries busy. Retail trade good, 5% over last year. Furniture sales only 75% of 1925 and stocks high.

Milwaukee—
Building and contributing industries above normal. Machine and tool active. Trade has suffered from late season.

Omaha—
Retail trade fair; wholesalers handling greater volume than in corresponding period of 1925.

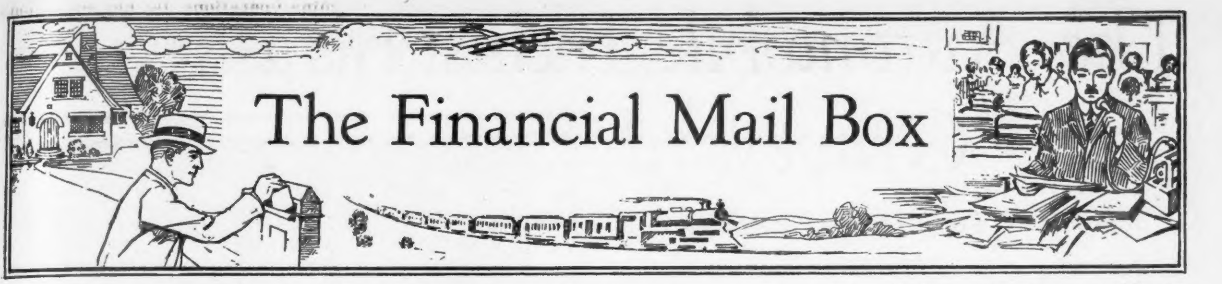
Minneapolis—
Flour orders light but milling in fair progress. Cash grain receipts while higher than 1924 are slightly lower than 1925. Retail and wholesale trade fair.

Salt Lake City—
Automobile sales good. Trade encouraging in both wholesale and retail lines.

San Francisco—
Canneries anticipate good season, in view of fruit crop, which is reported in excellent condition and two to three weeks ahead of usual. Trade normal now, for the season. Industrial development increased and electric power companies are making large expenditures to keep pace with demand for power.

Portland, Ore.—
Retail trade continues good. Lumber shipments improving.

Seattle—
Paper industry registers recent decline of 5% but prospects favorable. Trade good and employment up to last year's levels.



The Financial Mail Box

The Problems of Our Readers As Seen by the Inquiry Department

FOR the past ten years I have been sitting at the receiving end of "The Financial Mailbox," answering inquiries on stocks and bonds, fired at me by people in all walks in life and from almost every corner of the civilized world. Estimating conservatively, I must have answered not less than two hundred thousand questions on financial subjects during these years; so, if you have ever written to this publication for opinion or data on a security, there is a fair chance that you and I are acquainted—mailwise.

If I had begun a collection of autographs of celebrities when I first entered this profession, I would now have a priceless collection, for many who have written, will write no more. They have passed on to where financial requirements are dispensable. One letter came to me awhile ago and with it came memories—reminiscences, of a former baseball idol, loved by all those who ever came in contact with him either in social life or on the "diamond." His letter preceded his obituary notice by a few weeks. I have often wondered since, whether or not that great big fellow had not sensed the end was near and was attempting to place his house in order.

Some Famous People Write for Information

Quite often letters are received from well-known people—a famous diva, a successful playwright, a prominent politican, a well remunerated college football coach or a matinee idol. Letters from bankers are very common. Executives and directors will write to ask how the securities of their own companies appear to us, marketwise. Probably they believe that our proficiency may be greater than theirs, since we are not so close to the scene of action as they. I have seen letters from the inmates of Old Soldiers Homes. Patients in hospitals take their pen in hand also, while, even during a burst of sanity, an inmate of an insane asylum may write us a poignant letter. There is plenty here for the man who wants to watch the panorama of life.

Not many years ago, the presence of a pink or blue envelope in the mail, called for immediate investigation, for only women used tinted stationery and, a woman "in the market" in the old days was an oddity. But things have changed, the world has moved, backward or forward, which ever way pleases you better, and the female of the species having demanded and received equal rights has become a factor of some importance in the stock market of today.

Not so long ago, I decided to obtain a close-up view of the woman investor or speculator. In an uptown brokerage office, catering to women traders, a special room was set aside for them. There in that room sat about thirty-five to forty women, most of them in the early evening of their lives. Richly but smartly clad, only a few diamonds among them but many wedding rings, two gold, the others—platinum. The stock ticker stood at one end of a table and the tape ran its guided way through the centre to the opposite end. The eyes of those women followed its course and markings carefully, searchingly. Eyes that did not blink; eyes that, when raised from that narrow tape, had a cold glint or tired look. Mouths were firmly set, so firmly set, that all which was left appeared as a narrow, colorless straight line where formerly a cupid's-bow adorned. The faces were stern; some were lined. There were faces there that knew concentration and consternation. Here were women who took their stock market activities seriously. But these women seldom if ever write for information. They are the well-known tape readers.

Styles and kinds of inquiries change with the wind and offer an ever increasing interest to the work at hand. It would be impossible to list here the number and kinds of approach employed to broach the subject as to the how, why and when of the information wanted. The range of questions increase daily. However, every now and then, mail is received and information requested on subjects absolutely foreign to the supposed sphere of work. These questions range anywhere from asking the addresses of financially independent widows, object—matrimony; to the advisability of operating a Silver Fox farm in the back yard.

Plenty of Human Interest

Attorneys are constantly writing for information, especially when settling an estate. In many instances, as I read their letters, I can sense the anxiety of the beneficiaries of a will as they await a reply. I can see them hoping that by some stroke of good fortune, the stock certificates which were found by rummaging through an old trunk or desk, possibly in a bureau or safe deposit box, will relieve the family from genteel poverty or put them on "easy street." It is but human to build castles in the air; most of us do it sometime or other, but, those who are seeking such kinds of good fortune had better choose a better architect than I am, for, after all these years and opportunities, I have yet to be the messenger of "Lady Luck." Always, have I found the securities to be worthless or practically so.

Even in the face of fraud laws and a deal of educating the investing public by various organizations especially THE MAGAZINE OF WALL STREET, a few slick gentlemen are still vigorously wielding their pens. Printers' ink and Uncle Sam's mail spreads far and wide and into hamlets where financial education, apparently, does not. But, letters to us do come out of these places and with it the request for information on the worst possible conglamoration of oil, mining and "invention" stocks.

I have often claimed that some people have a positive genius for getting themselves into financial difficulties. This is not limited to folks living in the country. City people are by no means immune from purchasing promotion stocks, prospects or worthless securities. Far from it! I am quite certain that city investors and speculators pour a lot of real American dollars into the financial quicksand. But, the investor or speculator from the cities at least may learn sometime in his life, even if it is after he goes "broke," that there are such things as railroad, public utility and industrial securities; while a great many individuals from the well known place, commonly referred to as the "sticks," remain true to their first and only love—oil and mining stocks.

It is most surprising that a very large percentage of persons do not understand or read correctly the printed word. Possibly it is because they attempt to find a loophole by which they may privately profit. Recently, there was published a reorganization plan of a railroad, setting forth a certain proposal to bond and stockholders; then mail began to arrive from these investors asking for opinion and information regarding certain features of the plan. Without exaggerating, I defy anyone, from the originators of the plan down to our correspondents, to find anything in the text that would even remotely resemble the idea that

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The Automobile Industry's Graveyard

What Will Ford Do?—Possibilities for Important Mergers—Squeezing Out the Weaker Companies

By JAMES J. KIRWAN

SOME startling changes are likely to take place during the next few years in the automobile industry. Beset by competition much fiercer than in most industries, the rate of mortality among the weaker companies which has been so prominent a feature of the industry since its beginning, will probably not abate. On the contrary, as estimated by the most competent opinion in the industry, of the forty-nine companies to-day actively engaged in production of cars and trucks, not more than thirty are likely to be in existence in a few years. The accompanying diagram vividly portrays the underlying trend in automobile company mortality.

Examination of automobile trade records since 1923 shows in that year one of the fourteen smallest operating companies produced but twenty cars; three others produced less than a thousand, while the remaining ten accounted for about 18,000 machines. Of the 3,694,237 cars comprising that year's total production, seventy-two companies sold 3,675,287 units.

By January of 1924, seventeen of the eighty-six companies referred to had passed out of business. Yet, production declined but 450,952 cars or less than 14% from the previous year's total while nearly 20% of the manufacturers disappeared.

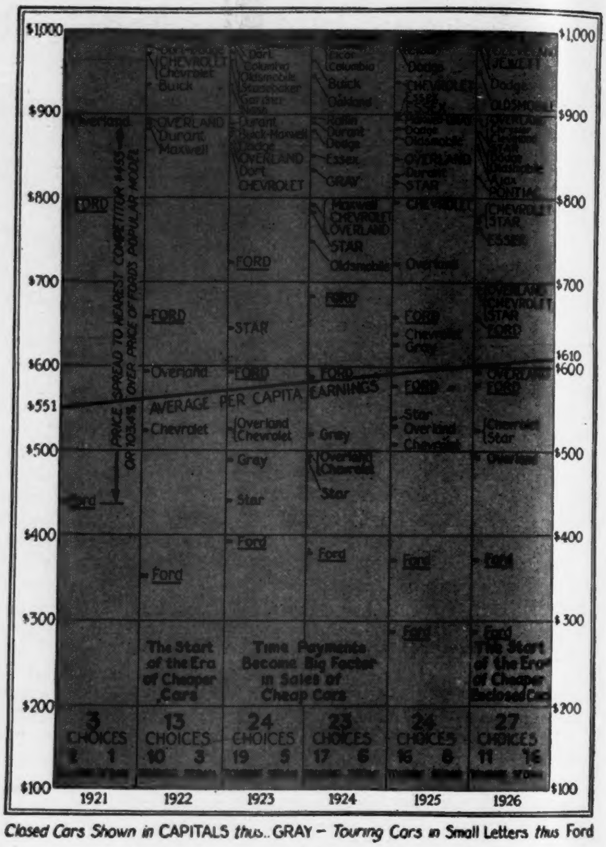
Last year cut down other weak members by sixteen, but production reached the highest levels in the industry's history and nearly equaled, in that one year, the total production from 1895 to 1917.

Further Eliminations?

Before the "Roll Call" is made for the 1927 Automobile Show in New York, five and possibly one or two more companies, with a total production of nearly 200,000 cars in 1925, in all probability will have passed quietly to rest in the Automobile Industry's Graveyard, unheralded and unsung except by creditors and a great number of stockholders. It is possible that these few eliminations will cause a greater loss to a larger number of shareholders than the passing of a dozen other companies.

It would be a mistake to infer that only the smaller companies in this industry get into difficulties and are forced to discontinue business. In fact, mortality is heaviest among organizations with a fairly large production schedule and the causes of these difficulties are, most usually—over extension, excessively high production schedules, mediocre dealer representation and poor financing.

All of the foregoing would seem to indicate that some merger, or one gigantic group consolidation would be essential in the automobile industry. It would be logical, and the precedents already established in banking, steel, railroads, equipments, petroleum, public utilities, mining and other businesses would be followed.



Closed Cars Shown in CAPITALS thus.. GRAY – Touring Cars in Small Letters thus Ford

The "Under $1,000" Market

The chart above shows how competition has grown "under $1,000." In 1920 the Ford Model T touring car practically had a monopoly. Today there are 27 choices. Figures each year are as of January. Only 4- and 5-passenger cars are listed. Names in capitals are enclosed cars; small type, open cars

Some investors and speculators are prone to believe that the next merger announcement will be of a vertical trust such as United States Steel, Ford Motors or Anaconda Copper, controlling and manufacturing from the raw to the finished product. Others are of the opinion that the lateral trust, similar to General Motors and American Car & Foundry will be the pattern. Whether either of those definite forms will be followed, or whether there will appear an organization combining the better features of both styles, does not concern us as much for the moment as —Are automobile mergers in the making and, what will Ford do to save his rapidly tottering, low-priced, high production, monopoly "Empire"?

If Ford will lead Who will follow?

Ford's supremacy in the automobile field is seriously threatened. Inroads have been made by competitors, slightly in 1925—terrifically, so far, this year. In face of a very large production increase by the industry during 1925, Ford's production fell off about 10% in that year, while estimates for the first few months of the current year show that only about 55% of last year's production in the corresponding period was maintained.

The $1,000 car market chart pictures the situation clearly and proves that Ford is no longer in a supreme position. The market for cars selling in the neighborhood of $1000 is improving rapidly; but, competition is increasing and becoming more keen. Five years ago, only three manufacturers made a four or five-passenger type machine selling for $1000 or less and, Ford's nearest price competitor was $455 higher. This year, there are three cars selling for less than $500; eleven, for less than $750, while twenty-seven, all told, are priced at $1000 or under.

But the Ford organization has proven itself both resourceful and courageous and has successfully met competition heretofore. What will be their next step?

The Ford family do not discuss their plans publicly, but Wall Street has "Big Ears" and can hear when it cannot see. Piecing all of the parts together, the most logical move would be for Ford to merge by taking over some other company or companies and, by so doing, have a line of cars meeting the car buying public's favor, as to design, appointments, and pocketbook; pacify disgruntled dealers and use present manufacturing facilities which will undoubtedly become excessive and expensive by continuous declining production and demand for the Ford machine.

The Ford family, through marriage relationship, is connected with the activities of the Hudson and Essex cars and it does not appear too far fetched reasoning to assume that Ford may eventually be identified with the future of these companies. He then would have the Ford, Essex, Hudson and Lincoln to offer the auto buying world—a line equal to most and with a sufficiently large price range to satisfy the tremendous percentage of car buyers.

Next?

Generally, well versed automobile executives contend that consolidations in the industry are not advisable nor essential at present—"In the future? Possibly; but not now." "Theoretically," they say, "mergers and consolidations are supposed to effect considerable economies by reducing duplications in manufacturing and personnel, but what few consolidations there have been in the industry have not accomplished this expectation. If a consolidation could be effected whereby one motor, one chassis, one design of car and one set of appointments could be used for an entire line of cars selling at various prices, then a great savings could be had. But the car-buyer must be given his due consideration. Mr. Car Buyer's choice is influenced by his pocketbook. Also, the process of elimination is governed by many factors and is not always limited to the mechanical perfection of the car."

The car buyer is held tightly to his dealer and manufacturer by the exchange value of his car. Most often he has had satisfactory service and good results. Time and habit has made him accustomed to certain features of one car. He also likes to feel that his choice of the car was the best. Something about the piston displacement, wheel base, clutch, carburetor, gears, in short, that particular "Ol' Bus," just suits his purpose, and who will deny but such is sufficient, insofar as the buyer is concerned. Take one or two of these psychological features away from Mr. Car Owner and the main tie which has held him to his manufacturer is broken. "Consolidations and mergers are all fine sometimes," these authorities will say. "A merger for Smith or Brown would help, but not for us." However, the thought seems to belie the words. If a consolidation is good for one group why shouldn't it be good for another with proper adjustments?

Probably, the best example of proof to offer and prove that consolidations are not only a help to greater attainments but they also assist materially to solidify a company's position, is one based on actual happenings. This year General Motors produced a new car, the Pontiac, and it is generally credited that the only good reason for its creation was to give the Oakland dealers, a G. M. production, a better opportunity to make a profit. Now, could any other motor manufacturer besides G. M., which itself is in existence because of a consolidation, attempt such action? G. M. places extreme importance on the human element phase of business and will go a long way to hold good dealers.

The dealer plays a very important part in the success of any motor company and it is a known fact that there are altogether too few satisfactory ones. The dealer situation is deplorable—so bad, that many of the low production organizations will combine their sales departments sufficiently to permit consolidation or elimination of many dealers. The dealer situation is especially bad in localities of 10,000 to 25,000 population. In many of these sections as many as a dozen dealers operate. So far, operations have not been profitable, but by eliminating a good proportion of the dealers the few left stand a better chance to make a living.

Facts prove that consolidations are in the offing at the top and bottom of the

(*Please turn to page* 278)

99 AUTOCAR
00 APPERSON
01 ~~AUTO DYNAMIC~~
01 ~~AJAX~~
01 ~~AKRON~~
01 ~~AUTOMOTOR~~
02 ~~AMERICAN~~ (elec.)
03 ~~AMERICAN~~ (gas)
03 ~~AMERICAN~~ (steam)
03 AUBURN
04 ~~AUTO VEHICLE~~
04 ~~ADAMS FARWELL~~
05 ~~ABROCAR~~
05 ~~AURORA~~
06 ~~ATLAS~~
06 ~~ALLEN KINGSTON~~
07 ~~ALBANY~~
08 ~~ANGUS~~
10 ~~ALCO~~
10 ~~AMERICAN~~
10 ~~AMPLEX~~
11 ~~ALPENA~~
12 ~~ABBOTT-DETROIT~~
12 ~~ARGO~~ (elec.)
14 ~~AUSTIN~~
14 ~~ALLEN~~
16 ANDERSON
16 ~~ALTER~~
17 AMERICAN
21 ~~ACE~~
22 AMBASSADOR
22 ~~ADRIA~~

99 ~~BAKER~~
00 ~~BALDWIN~~
01 ~~BACHELLES~~
01 ~~BOLTE~~
01 ~~BUFFALO~~ (elec.)
01 ~~BARTHOLOMEW~~
02 ~~BALDNER~~
02 ~~BINNEY & BURNHAM~~
02 ~~BRAMWELL~~
02 ~~BUFFALO~~
02 ~~BERG~~
03 ~~BRASIER~~
03 ~~BRISTOL~~
03 ~~BUCKMOBILE~~
03 ~~BLOOD~~
03 ~~BLACKHAWK~~
03 BUICK
03 ~~BUCKEYE~~
03 ~~BATES~~
04 ~~BLACK DIAMOND~~
04 ~~BEVERLEY~~
04 ~~BLOMSTROM~~
06 ~~BABCOCK~~ (elec.)
07 ~~BRUSH~~
07 ~~BUGMOBILE~~
07 ~~BLACK~~
07 ~~BAILEY~~ (elec.)
08 ~~BYRIDER~~ (elec.)
08 ~~BROWNIEKA~~
08 ~~BENNER~~
08 ~~BERGDOLL~~
14 ~~BRIGHTON~~
15 ~~BRISCOE~~
16 ~~BELL~~
17 BREWSTER
17 ~~BIDDLE~~
17 ~~BEN HUR~~
17 ~~BOUR-DAVIS~~
21 ~~BIRCH~~
22 ~~BOWMAN~~
22 ~~BEGGS~~
22 ~~BAY STATE~~
23 BARLEY

98 ~~COLUMBIA~~ (elec.)
99 ~~CENTURY~~ (gas)
01 ~~CROWDUS~~ (elec.)
01 ~~COLLINS~~ (elec.)
01 ~~CHAPMAN~~ (elec.)
01 ~~CENTURY~~ (elec.)
01 ~~COLUMBIA~~ (gas)
01 ~~CANDA~~
01 ~~CENTURY~~ (steam)
01 ~~COTTA~~
01 ~~CUNNINGHAM~~ (steam)
01 ~~CONRAD~~
01 ~~CLARK~~
01 ~~CHELSEA~~
02 ~~CAPITAL~~
02 ~~CLOUGHLEY~~
02 CADILLAC
02 ~~COVERT~~
02 ~~CRESTMOBILE~~
02 ~~CLEVELAND~~
02 ~~CENTAUR~~
03 ~~CINCINNATI~~ (steam)
03 ~~CLARKMOBILE~~
03 ~~CREST~~
03 ~~CHURCH~~
03 ~~CORBIN~~
03 ~~COLUMBUS~~ (elec.)
04 ~~CRAWFORD~~
05 CAMERON
06 ~~COLBURN~~
07 ~~CARTERCAR~~
07 ~~COSMOPOLITAN~~
07 ~~CATO~~
07 ~~C. V. I.~~
08 ~~CONTINENTAL~~
08 ~~C. P.~~
08 ~~COMET~~
08 ~~COATES-GOSHEN~~
08 ~~COLT~~
08 ~~CHALMERS~~
09 ~~CHAMPION~~
09 CASE
10 COLE
11 ~~CHADWICK~~
11 ~~CUTTING~~
11 ~~CORREJA~~
12 ~~COURIER~~
12 CUNNINGHAM
12 CHEVROLET
13 ~~CHURCH-FIELD~~
14 CHANDLER
14 ~~CAMERON~~
15 ~~CROW-ELKHART~~
16 ~~COLUMBIA~~
16 ~~CORBITT~~
19 ~~COMMONWEALTH~~
20 CLEVELAND
21 ~~COLONIAL~~
21 ~~CLIMBER~~
22 ~~COATS~~ (steam)
22 ~~CORINTHIAN~~
23 ~~COURIER~~
24 CHRYSLER

98 ~~DURYEA~~
01 ~~DARLING~~
01 ~~DESBERON~~ (steam)
02 ~~DECKER~~
03 ~~DARROW~~
05 ~~DAVENPORT~~
05 ~~DYKE~~
06 ~~DOLSON~~
06 ~~DE LUXE~~
06 DORRIS
07 ~~DUER~~
07 DETROIT ELECTRIC
08 ~~DUROCAR~~
09 DAVIS
12 ~~DE TAMBLE~~
13 ~~DETROITER~~
15 DODGE
15 ~~DORT~~
15 ~~DILE~~
16 ~~DRUMMOND~~
17 DANIELS
17 ~~DIXIE FLYER~~
17 ~~DISPATCH~~
18 ~~DOBLE~~ (steam)
18 ~~DISBROW~~
19 ~~DOUGLAS~~
20 DUPONT
21 DUESENBURG
22 ~~DRIGGS~~
22 DURANT
23 ~~D. A. C.~~
25 DAGMAR

98 ~~EMPIRE~~
01 ~~ELMORE~~
02 ~~ECLIPSE~~
05 ~~ECONOMY~~
06 ~~ESSEX~~
07 ~~EARL~~
08 ~~EVERYBODYS~~
09 ~~E-M-F.~~
09 ELCAR
11 ~~EVERITT~~
13 ~~EDWARDS-KNIGHT~~
15 ~~ENGER~~
16 ~~EMPIRE~~
17 ~~ELGIN~~
17 ~~EAGLE-ROTARY~~
18 ESSEX
22 ~~EARL~~

00 ~~FOSTER~~
02 ~~FANNING~~
02 ~~FISCHER~~
02 ~~FRIEDMAN~~
02 FRANKLIN
03 ~~FLINT~~
03 ~~FREDONIA~~
03 FORD
05 ~~FRAYER~~
06 ~~FOSTORIA~~
07 ~~FRITCHLE~~ (elec.)
08 ~~FULTON~~
08 ~~FEDERAL~~
11 ~~FLANDERS~~
11 ~~FULLER~~
16 ~~FARMACK~~
18 ~~F. R. P.~~
21 ~~FERRIS~~
21 ~~FOX~~
21 ~~FRIEND~~
22 ~~FALCON~~
23 ~~FREMONT~~
24 FLINT

99 ~~GROUT~~
01 ~~GURLEY~~
01 ~~GASMOBILE~~
01 ~~GENEVA~~
03 ~~GRIDE~~
03 ~~GENERAL~~
03 ~~GREELEY~~
03 GREAT (Pierce-Arrow)
04 ~~GIBBS~~ (elec.)
05 ~~GRAHAM~~
07 ~~GARFORD~~
11 ~~GREAT SMITH~~
11 ~~GAYLORD~~
12 ~~GREAT WESTERN~~
14 ~~GRANT~~
15 ~~GHENT~~
19 GARDNER
20 ~~GEARLESS~~
22 GRAY

95 ~~HAYNES-APPERSON~~
00 ~~HOLYOKE~~
00 HAYNES
01 ~~HOWARD~~
01 ~~HOFFMAN~~ (steam)
01 ~~HUDSON~~ (steam)
02 ~~HOLLEY~~
02 ~~HOLSMAN~~
05 ~~HEWITT~~
06 HATFIELD
07 ~~HAY-BERG~~
08 ~~HALLADAY~~
08 ~~HEINE-VELOX~~
08 HUPP
09 HUDSON
09 ~~HERRESHOFF~~
11 ~~HENRY~~
11 ~~HUPP-YEATS~~ (elec.)
13 ~~HENDERSON~~
13 ~~HAVERS~~
15 ~~HERFF-BROOKS~~
16 ~~HOLLIER~~
16 ~~HARVARD~~
17 ~~HARROUN~~
17 ~~HACKETT~~
18 ~~H. A. L.~~
19 ~~HANSON~~
19 ~~HOLMES~~
20 H. C. S.
22 ~~HANDLEY-KNIGHT~~
23 ~~HUFFMAN~~

01 ~~INTERNATIONAL~~
03 ~~IMPERIAL~~
06 ~~IROQUOIS~~
07 ~~IMPERIAL~~
08 ~~INTER-STATE~~

03 ~~JACKSON~~
02 ~~JEFFERY~~
02 ~~JONES-CORBIN~~
02 ~~JAXON~~
05 ~~JOHNSON~~
06 ~~JEWELL~~
07 ~~JENKINS~~
18 JORDAN
18 ~~JONES~~
23 JEWETT

99 ~~KENSINGTON~~
00 ~~KNOX~~
01 ~~KEYSTONE~~
01 ~~KIDDER~~
02 ~~KUNZ~~
03 ~~KONIGSLAW~~
05 KING
06 KISSEL
08 ~~KEETON~~
11 ~~K-R-I-T~~
11 ~~KLINE~~
16 ~~KEENS~~
17 ~~KENT~~
21 ~~KELSEY~~
21 ~~KENWORTHY~~
22 ~~KURTZ~~

99 LOCOMOBILE
99 ~~LEACH~~
00 ~~LANE~~ (steam)
01 ~~LEWIS~~
01 ~~LOOMIS~~
01 ~~LOZIER~~
05 ~~LOGAN~~
06 ~~LUVERNE~~
07 ~~LORRAINE~~
08 ~~LINCOLN~~
08 LEXINGTON
11 ~~LAMBERT~~
11 ~~LYON~~
13 ~~LENOX~~
14 ~~LYONS-KNIGHT~~
16 ~~LEWIS~~
17 ~~LAUREL~~
17 ~~LIBERTY~~
20 ~~LORRAINE~~
20 ~~LAFAYETTE~~
20 ~~LEACH-BILTWELL~~
21 LINCOLN
21 ~~LONE STAR~~

99 ~~MOBILE~~
00 ~~MARLBORO~~
00 ~~MILWAUKEE~~
01 ~~MONCRIEF~~
03 ~~MOHAWK~~
03 ~~MATHESON~~
03 ~~MOYEA~~
03 ~~MODEL~~
03 ~~MACKLE-THOMPSON~~
03 ~~MITCHELL~~
03 ~~MARR~~
04 METEOR
04 MARMON
04 ~~MORSE~~
04 ~~MOLINE~~
04 ~~MAXWELL-BRISCOE~~
04 ~~MERCURY~~
05 ~~MONARCH~~
05 MOON
06 ~~MARYLAND~~
06 ~~MORA~~
06 ~~MASON~~
07 ~~MEDIA~~
08 ~~MIER~~
08 ~~MIDLAND~~
09 ~~McCUE~~
09 ~~METZ~~
09 ~~McINTYRE~~
10 ~~MARION~~
10 ~~MAXWELL~~
10 MERCER
11 ~~MOLINE~~
11 ~~MOTORETTE~~
12 ~~MARQUETTE~~
12 McFARLAN
13 ~~MARATHON~~
13 ~~MIGHTY MICHIGAN~~
14 ~~MOLINE-KNIGHT~~
16 ~~MECCA~~
16 ~~MOORE~~
16 ~~MADISON~~
16 ~~MONITOR~~
16 ~~MONROE~~
17 ~~MAIBOHM~~
17 ~~MARION-HANDLEY~~
17 ~~MASON~~
18 ~~MURRAY~~
20 ~~MARSHALL~~
21 ~~METEOR~~
22 ~~MERIT~~
22 ~~METROPOLITAN~~

00 ~~NATIONAL~~
01 ~~NEW HOME~~
01 ~~NORTON~~
03 ~~NEUSTADT-PERRY~~
03 ~~NIAGARA~~
03 ~~NORTHERN~~
13 ~~NORWALK~~
16 ~~NEW ERA~~
18 ~~NELSON~~
18 NASH
19 ~~NOMA~~
21 ~~NORTHWAY~~

98 OLDSMOBILE
00 ~~OHIO~~ (elec.)
01 ~~ORIENT~~
03 ~~OVERLAND~~
04 ~~ORMOND~~
07 OAKLAND
08 OVERLAND
11 ~~OTTO~~
15 ~~OWEN-MAGNETIC~~
16 ~~OGREN~~
18 ~~OLYMPIAN~~

95 ~~POPE-HARTFORD~~
00 PACKARD
00 PEERLESS
01 ~~PEOPLES~~
01 PIERCE-ARROW
02 ~~POMEROY~~
02 ~~PRESCOTT~~
02 ~~POPE-ROBINSON~~
03 ~~PHELPS~~
03 ~~PREMIER~~
04 ~~PUNGS-FINCH~~
06 ~~POPE-TOLEDO~~
06 ~~PLANCHE~~
07 ~~PENNSYLVANIA~~
07 ~~POSTAL~~
07 ~~PALMER-SINGER~~
07 ~~PULLMAN~~
08 ~~PERFECTION~~
08 ~~PAYNE-MODERN~~
08 ~~PETREL~~
08 ~~PATERSON~~
09 PAIGE
09 ~~PILOT~~
11 ~~PARRY~~
12 ~~PENN~~
13 PATHFINDER
14 ~~PARTIN-PALMER~~
16 ~~PILGRIM~~
16 ~~PILLIOD~~
16 ~~PONDER~~
18 ~~PAN AMERICAN~~
19 ~~PIEDMONT~~
19 ~~PAN~~
21 ~~PARENTI~~
21 ~~PORTER~~

99 ~~RIKER~~
01 ~~REMINGTON~~
01 ~~ROBINSON~~
01 ~~READING~~
01 ~~ROGERS & HANFORD~~
02 ~~REBER~~
03 ~~RAMBLER~~
03 ~~RUSSELL~~
03 ~~REGAS~~
03 ~~RAPID~~
03 REO
04 ~~ROYAL TOURIST~~
04 ~~ROTARY~~
05 ~~ROSS~~
06 ~~RAINIER~~
06 RAUCH & LANG
08 ~~REGAL~~
11 ~~ROADER~~
12 ~~R. C. H.~~
14 ~~REPUBLIC~~
14 ~~RIDDLE~~
16 ROAMER
19 REVERE
19 ~~ROCK-FALLS~~
20 ~~R. & V. KNIGHT~~
21 ~~RANGER~~
21 ROLLS ROYCE
22 ~~RICHELIEU~~
22 RICKENBACKER
23 ~~RUBAY~~
23 ROLLIN

96 STANLEY (steam)
98 ~~STEARNS~~ (steam)
99 ~~ST. LOUIS~~
00 ~~SPAULDING~~
00 ~~SKENE~~
01 ~~SUNSET~~
02 ~~SHAIN~~
02 ~~SMITH & MADLEY~~
02 ~~STEAMOBILE~~
02 STEVENS-DURYEA
02 ~~STORCK~~
02 ~~STANDARD~~
03 ~~STUDEBAKER~~ (elec.)
03 ~~SANDUSKY~~
03 STEARNS (gas)
03 ~~SHELBY~~
03 ~~SANTOS-DUMONT~~
03 STUDEBAKER (gas)
04 ~~SYNNESTVEDT~~
04 ~~STURTEVANT~~
04 ~~SPRINGER~~
04 ~~STODDARD-DAYTON~~
04 ~~SAMPSON~~
05 ~~SCHACHT~~
06 ~~SELDEN~~
06 ~~SUCCESS~~
06 ~~SINGLE CENTER~~
06 ~~SENATOR~~
06 ~~SULTAN~~
07 ~~SIMPLICITY~~
07 ~~SPEEDWELL~~
07 ~~SAYERS~~
07 ~~STAVER~~
08 ~~SPRINGFIELD~~
08 ~~SHOEMAKER~~
09 ~~STUDEBAKER E. M. F.~~
12 ~~S. G. V.~~
12 ~~STUYVESANT~~
13 STUTZ
15 ~~SAXON~~
15 ~~SPHINX~~
16 STERLING-KNIGHT
16 ~~SCRIPPS-BOOTH~~
16 ~~SPOERER~~
16 SPAULDING
16 ~~STEWART~~
16 ~~SINGER~~
16 ~~STEPHENS~~
17 ~~STANDARD~~
18 ~~SUN~~
18 ~~SIMPLEX-CRANE~~
18 ~~SENECA~~
19 ~~STATES~~
21 ~~SEVERIN~~
21 ~~SHAW~~
21 ~~SHERIDAN~~
21 ~~SKELTON~~
21 ~~SPENCER~~
21 ~~STANWOOD~~
23 STAR

00 ~~TRIUMPH~~
01 ~~TAUNTON~~
01 ~~THOMPSON~~
02 ~~TWYFORD~~
03 ~~TOLEDO~~
03 ~~THOMAS~~
03 ~~TOURIST~~
04 ~~TINCHER~~
15 ~~TRUMBULL~~
15 ~~TWOMBLY~~
16 ~~TOURAINE~~
18 TEMPLAR
21 ~~TEXAN~~
21 ~~TULSA~~

00 ~~U. S. LONG DISTANCE~~
03 ~~UPTON~~
08 ~~U. S.~~

05 ~~VAUGHAN~~
08 ~~VICTOR~~
08 VELIE
21 ~~VOGUE~~

97 ~~WINTON~~
98 ~~WHITNEY~~
99 ~~WOODS~~
00 ~~WALTHAM~~
01 ~~WALLS~~
01 ~~WARWICK~~
02 ~~WHITE~~ (steam)
02 ~~WILDMAN~~
03 ~~WALTHER~~
04 ~~WELCH~~
04 ~~WAVERLY~~ (elec.)
04 ~~WAYNE~~
05 ~~WOLVERINE~~
05 ~~WALWORTH~~
07 ~~WOLF~~
07 ~~WASHINGTON~~
10 ~~WHITE~~
11 ~~WARREN~~
11 ~~WHITING~~
12 WESTCOTT
14 WILLYS KNIGHT
15 ~~WILLYS SIX~~
15 ~~WOODS~~
19 ~~WASP~~
21 ~~WINTHER~~
22 ~~WALTHAM~~
23 WILLS STE. CLAIRE

03 ~~YALE~~
05 ~~YORK~~

08 ~~ZIMMERMAN~~

The Record of Automobile Companies Which Have Gone Out of Business

The figures opposite each name indicates the year when the car entered the field, as near as can be determined from available records. Those scratched out are the ones that have gone. This chart and the one on the opposite page reproduced, with permission, from Motor.

What Information Should Corporations Withhold From Shareholders?

Why Too Much May Be as Dangerous as Too Little

By GEORGE B. COLLINGWOOD

AGITATION for more corporation publicity, especially to stockholders, has grown apace in recent years, under the leadership of THE MAGAZINE OF WALL STREET. These efforts have by now met with a fair measure of success. A large number of corporations, though still a minority, publish far more information than was the case a few years ago. The remaining corporations, while not quite so communicative, at least give much more than the minimal information considered normal, say twenty-five years ago.

> *"THE investor is fully within his rights in demanding more information as to company assets, earnings and production figures. He has a right to the maximum quantity, quality and frequency of such information. He has a right to as much uniformity of reporting as consistent with various types of business. But his right to information ceases at such points at which publicity would serve to imperil his equities by divulging such information as would place his company at a disadvantage with competitors."*

Listing on the New York Stock Exchange of new issues of companies whose securities were already listed, or of new issues of concerns whose securities have not previously been listed, acts as a lever to compel much publicity. Such regulatory features are becoming more and more a policy of the New York Stock Exchange. Yet, while great progress has been recorded, it is true that by far the longer section of the road has yet to be traversed in this direction.

At such a juncture as the publicity situation has now reached, it becomes important to inquire just what information can be revealed to the investor so as to promote his interest, and what information, if revealed, would tend to damage his interests. A good guide to the limits of publicity in the future will be found in the experience of the past. Of this, the railroads are the most important example.

Due to the tremendous abuses that were a feature of railroad history, public agitation compelled the enactment of statutes compelling the railroads to report uniformly both as to assets and liabilities, and as to income statements. The Interstate Commerce Commission receives these reports, and is not only an information receiving body, but a regulatory body as well. Owing to the law, there is more information available about the railroads than any other type of corporate enterprise.

Uniform accounting has been carried into effect despite the initial protests of the carriers. We were formerly told that coalers like Norfolk & Western, grangers like Great Northern, local roads such as Boston & Maine, and roads with predominantly passenger revenues, such as New Haven could not possibly report intelligibly on the one system. Yet they do, and all their differences do not have the slightest effect on the merits of their uniform method of reporting financial data. Because of this result, it has been hastily inferred that differences among industrials will not prove more refractory with reference to issuing uniform reports. But this, as we shall see later, is a position that ignores the fundamental economic differences between the rails and industrials.

Operating public utility companies in the several states are subject usually to comprehensive state regulation, and enforcement of continual reports on a uniform accounting basis. The principal reason for such action lies in the relation between capital value and earning power on one hand, and rates, on the other. It follows that any state regulatory body having jurisdiction over rates, by virtue of that fact, ought to be supplied with all the data necessary towards fair and intelligent action on those rates. Hence traction, electric light and power, gas, steam and water companies have adequately reported, each on uniform reports for its group, and the investor is that much ahead on information received.

There are three marked differences between rails and public utilities on the one hand, and industrials on the other. In the first place, compulsory complete information is required of rails and utilities by regulatory bodies having the power of punishment. Such procedure is impossible with reference to private business without, in effect, enacting socialism into the laws of the land.

The second important difference is that whatever their economic variations, all of these companies (rails and utilities) are monopolies, or quasi-monopolies, so that they do not have to fear that competitors will have them at a disadvantage by reason of published information.

The third and most significant difference is that their franchises are the creation of the state, and that since the state has conferred monopolistic, or semi-monopolistic privileges on them, it has an inherent right to demand in exchange an accounting of their stewardship from such corporations.

The only instance where the government would be in a similar intrenched position would be either where it has granted exemption from taxation, as in the case of religious and charitable institutions, or where it has granted a bounty, as England does her coal mining companies, or lastly where the industry so obviously exists merely because of prohibitive tariffs, that production cost is an immediate object of government concern. Such corporations would be, say, gasolene companies producing helium for the national defence. But as the industrial world goes, these companies are infinitesmal. *Ninety-nine per cent of industrials have no economic resemblance whatever to rails and utilities.*

Public Utility holding, management and engineering corporations, etc., although far more important financially to-day than operating companies, are not similarly regulated nor compelled to make public every detail of their operations. They are, in law, merely stockholders like any other corporations. But, while public regulation would not be very desirable for such companies, the nature of their operations is such that investors have right-

ly felt that they owe more information to stockholders than is the case with industrials.

There can be no doubt that many of the larger utility holding companies see their duty admirably in this connection. They distinguish critically between consolidated income accounts and income actually received from dividends, interests or cash payments from subsidiary companies. It is obvious, for example, that where the paper earnings of a group of utility companies and the parent company, show earnings of 1.50 times fixed charges, and cash income was only 60% of such fixed charges that fixed charges have been earned only 0.9 times, so that the current assets position of the company has been somewhat weakened. For public utilities such current assets position has not anywhere near the importance it would have for industrials, so that such differences can usually safely be revealed. In fact, similarity of operations and shareholding in semi-public undertakings such as the utilities, make uniform reporting of public utility holding companies comparatively easy as against industrials. Hence there is little reason why the fullest publicity cannot be the rule among such corporations.

Industrial corporations are enormously diverse. This is the prime difficulty in the way of uniform reporting. They are highly competitive. That is the chief obstacle in the way of full publicity.

To take the less important data first. Take a company producing automobiles, such as the Hupp Motor Car Company. It is not in the same position as Shubert Theatres which have no production costs of a similar nature. Compare these again with F. W. Woolworth. In the latter corporation, fixed capital is a lesser consideration than trade turnover. None of these resemble "vertical trusts" such as U. S. Steel. Mere size of operations also makes a great difference. No one for a moment assumes that there is great similarity between General Electric and Weston Electric Instrument. Neither corporation is in the same position with respect to the significance which bank loans, say, would have, assuming General Electric to be in any such position. Hence the great diversity of industrials would not only make uniform accounting difficult, but also misleading.

By far the more important phase is the competitive situation. A business has two angles. One is the angle of the business considered as a public investment, and the second is the conduct of industrial and commercial operations. The two interests are not similar and are often opposed. Yet even the most enthusiastic advocate of the investor must concede primarily that the business must first live and succeed if it is to be a good investment at all. *Hence its industrial and commercial operations are primary, and anything which seriously injures them is not in the interest of the investor. Accordingly such information as would give competitors an undue advantage should be looked at askance.*

The only reason why corporations give out information is that the giving out of such information results in advantages to the corporation. In the case of investors such information is disclosed because the corporation is in a public market for capital and it must show equivalent value for its capital stock. In the case of non-public corporations, the principal reason for issuing statements is the obtaining of credit. In the case of taxation, of course, information is compulsory, and hence need not be included here.

If one goes over the history of corporation publications concerning balance sheets or income statements, one sees at once the legitimate limits that have ruled in the past. A hundred years ago, it is safe to say, there was practically no publicity about any corporations, except, perhaps, such as the Bank of England. Not even the United States Bank was any too communicative. If anyone had entered a counting house and asked any questions, he would have been summarily escorted out. To this day, many small shopkeepers, whose credit standing is due to personal contacts with salesmen, resent any question as to their credit position or earning power. The next stage is to reveal such information to the banker, and then only enough to obtain the credit required. Later, minimal information is given to credit agencies, so as to obtain better accommodation from wholesalers, etc. The very last step is to reveal still more, in order to obtain new partners; that is, stockholders. All along the line business has safeguarded as much information as it can, and revealed only as much as was needful for special purposes. Experience of the past throws light on the need both for publicity and for silence.

Republic Iron & Steel Company
Whitehall Building,
17 Battery Place.
New York.

John A Topping
Chairman

Mr Richard D. Wyckoff, Editor,
Magazine of Wall Street,
42 Broadway, New York City.

Dear Mr. Wyckoff:-

As your journal has been very active in encouraging corporation publicity and in criticising misleading reports by Executives, I think you will find the enclosed copy of our Annual Report of some interest, aside from the reported results of operation, as it furnishes rather more detail than is the general practice of corporations.

Yours very truly,

J A Topping
Chairman.

J A T -P

Enclosure.

We reprint the above to show that the question of adequate corporate publicity is considered vital by a growing number of corporations, of which the Republic Iron & Steel Company is among the more important.

There has been a great increase in sheer quantity of information concerning corporations. All of this increase of quantity of information is welcome, though much has not the importance commonly assigned to it. Extensive information is given concerning nature of business, diversity of operations, employee benefits, etc., which though large in volume are secondary in importance to crucial financial information. Sometimes the corporations giving the most complex and comprehensive reports are precisely those who give the least significant information in guiding the investor. Nevertheless, the reason why such quantity information, irrespective of quality, is welcome is that it may suddenly become very useful. For example, the beautiful and compresensive descriptions of their operations by the Union Carbide Company will enable a reader, almost automatically, to judge the effect that a new invention may have on certain of their operations. In the case of certain corporations their very business, in and of itself, reveals much about their operations. For example, a critical study of the Sears-Roebuck catalogue will teach a wide-awake investor much about the company.

Nevertheless, it remains true that without the knot of complete financial information, the string of information about operations, etc., will not tie up any real knowledge. With reference to quality of information, as compared with quantity, the question of what may or may not be revealed becomes acute. For example, a large number of corporations report only net income and not gross revenues. The analyst of their securities may be in the dark as

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Boston & Maine R. R.

B. & M. Well on the Road to Complete Recovery

Unusual Profit Opportunities Presented by Road's Securities

By J. A. POLLOCK, JR.

In the May 23, 1925, issue, we published the first authoritative review of the Boston & Maine reorganization (by Nathan L. Amster, then Chairman of the B. & M. Stockholders' Committee), together with a recommendation of the road's securities which have since advanced considerably. The road's astonishing progress requires further comment.

Boston & Maine's Improving Record

BALANCE SHEET (millions)	Dec. 31, 1916	Dec. 31, 1919	Dec. 31, 1925	Increase 1925 over 1919
Road and Equipment..	$92.1	$183.6	$211.6	$28.0
Other Investments	16.5	16.8	21.0	4.1
Total	$108.7	$200.5	$232.7	$32.2
Funded Debt	43.8	103.0	132.0**	28.9
First Preferred	....	38.8	38.8	....
Preferred Stock	3.1	3.1	3.1	....
Common Stock	39.5	39.5	39.5	....
Total	86.4	184.5	213.5	28.9
Working Capital......	2.2*	.2	10.6**	10.3
Depreciation Reserve .	6.8	7.3	14.7	7.3
Surplus	4.6	13.6	12.5	***1.1

*Current liabilities exceed current assets. **In company's balance sheet $4,663,200 of matured but unpaid obligations shown under current liabilities and not under long term debt. ***Decrease.

INCOME ACCOUNT (millions)	1916	1919	1925	1925 Increase Over 1916	1925 Increase Over 1919
Gross Revenues......	$55.3	$72.9	$81.6	47%	12%
Net Operating Income	12.4	1.7	12.4	..	609
Other Income	7	5	9	36	75
Fixed Charges	8.2	5.3	7.9	48	**4
Net Income	4.8	2.6*	5.4	12	106
First Preferred Dividend Requirements..	....	2.0	2.5	..	25

*Includes adjustment of $5,712,538 to equalize federal rental. **Decrease.
Note: 1925 earnings include Vermont Valley and Sullivan County RRs.

PERHAPS the most favorable commentary that can be deduced in respect to the general railway situation lies in the very evident improvement of the sore points of the industry. The New England roads have been notoriously in difficulties in recent years and no road in the group has been confronted, until lately, with a more discouraging outlook than Boston & Maine. In fact, as recently as 1924 the difficulties of profitable operation and maintenance of credit looked well nigh insurmountable. In this relatively short period of time, however, the company has beyond doubt turned the corner and would appear destined to regain eventually a good measure of its former superior standing.

Once A Tower of Strength

For many years the common stock constituted an investment stronghold. Dividends were paid uninterruptedly from inception in 1842 to 1913, a period of 72 years. In 1902 the stock, on a 7% basis, was quoted at over $200 a share. There is little question, however, that in the later years of this period dividends were maintained at the expense of the property, and in fact from 1907 onward the road may be said to have continuously declined. In producing this result, a too ambitious program of expansion played an equally important part with the policy of paying large dividends and, consequently, returning an insufficient surplus to the property.

In 1914, the road went into the hands of a receiver to be reorganized in 1919 along lines, which shortly proved wholly inadequate. Apparently the error of this readjustment was in the assumption that the immediate difficulties were entirely the result of federal control and very little the result of the road's own mistaken policies of the past and inferior physical condition. This is illustrated in the immediate payment of dividends out of a surplus provided by the government rental—a surplus that would otherwise have been a large deficit. Further payments, on a reduced scale, were made in 1920 out of the same provision and in 1921 were of course omitted, when a deficit of $6,612,421, thoroughly proved the inadequacy of the 1919 reorganization. The chief features of the latter were the exchange of guaranteed stocks of some eight leased lines into Boston & Maine first preferred stock, consolidation of the former with the parent company, including assumption of the subsidiary debt, and extension of upwards of 20 millions of credit for needed improvements by the Director General.

The general changes of reorganization can be noted in the comparative balance sheet items in the appended tables. A sufficient commentary on this broad period is embraced in the fact that while approximately 150 millions of securities, of which 100 millions were debt, were issued between 1907 and 1923 in financing improvements and expansions, but 1.5 millions of surplus earnings were returned to the property,

although 14 millions were paid out in dividends.

Low Point Reached In 1923-4

While the low point in earnings was reached in 1921, the low point in credit and prospects of the road was undoubtedly reached in the early half of 1924. It was then that the penalties resulting from the 1922 shopmen's strike and the anthracite strike could be fully scanned in the 1923 earning statement. Except through virtue of the government rental the road had been operated at a deficit for seven continuous years. Road and equipment had fallen into deplorable disrepair. There was no cash to make such needed improvements. Within the ensuing six years some 67 millions of bonds fell due and within a few more years an aggregate of 100 millions in obligations, or two thirds of the entire debt. The company was without credit to provide for refunding of these obligations. The receivership seemed a certainty. Common shares were purchasable at \$8, preferred issues for a few dollars more, and the bonds at 60% of par.

At this time, when bankruptcy seemed the only solution, the tide had already begun to turn. In 1922 the national regulatory body took cognizance of the special handicaps of operation under which the New England railways were placed and which are too well known to require recapitulation here. In 1922 the Interstate Commerce Commission made a finding tantamount to an order that the New England roads should receive a 15% increase of rates divided with the trunk lines. It should be noted, however, that it was not until 1925 that Boston & Maine came to agreement with connecting roads on this score. This was followed by awards taking effect in 1924 of increased mail and commutation rates, estimated to yield together one million annually. Aided by these factors, an improvement in equipment condition and an open winter there was earned in 1924 a surplus after all charges of \$2,107,735. This was hardly sufficient to restore the credit of the concern to a point where impending maturities could be cared for.

The next move was up to security holders and it is due to the prompt and intelligent action of creditors and owners that an expensive and probably protracted receivership will almost certainly be avoided.

Proposed Readjustment of Road

A committee was formed which after studying the situation proposed a voluntary readjustment of the company's finances. The chief features of this program were the extension of maturing bonds and the provision by stockholders of new money to meet certain necessary improvements. The plan, now slightly modified has been approved by over 80% of all classes of securities, including the largest stockholder, the New Haven railroad, owning through the Boston Holding Corporation 27% of the total Boston & Maine common.

Under the modified plan, holders of \$43,522,000 bonds maturing 1925-32 will accept a 15-year extension of the due date, receiving 5% interest during the period of extension and gaining the privilege of conversion into new 7% prior preferred stock at par. To provide cash 13 millions of the new prior preferred stock will be subscribed for by the various classes of stockholders, failing which they will surrender a portion of their holdings. Old first preferred stockholders will surrender accumulated back dividends amounting to between \$13 and \$22 depending on the class of stock, but may become entitled to receive payments on this account after 6% has been paid on the common.

Over \$11,200,000 of the new 7% prior preferred has been subscribed for and with filing of application before the Commerce Commission for authority to issue this stock and \$43,522,000 of extended bonds, Boston & Maine would appear ready to put its troubles behind and embark upon a highly promising future.

Improvement Program Promising

As a result of its investigation the committee recommended an expenditure for needed improvements of twenty to thirty millions over the next few years and the abandonment of nonproductible mileage. Some of the more startling physical defects in Boston & Maine's make-up were:

(1) That 45% of the total mileage produced only 3% of the total revenues and was consequently run at a loss estimated at three millions annually.

(2) On but one small division (Rotterdam Jct. to Greenfield, 104 miles) could the road's heaviest and most up-to-date locomotives be operated, due to the lightweight of bridges elsewhere.

(3) That the Boston Station, one of the heaviest density terminals in the world, was the result of haphazard growth, badly located and highly inefficient. This terminal situation was particularly true of the machine shops and freight yards, a large portion of the latter lying over tidewater, necessitating the maintenance of 60,000 pilings.

(4) Bad main line grades and separation of "double-track" in places by distances of a mile or more.

The existence of such factors, many of which can be eliminated at relatively small cost, spelled no reason for discouragement, once the corner could be turned and credit reestablished, but, instead, boundless opportunity. The real feature is that Boston & Maine has done as well as it has under such tremendous handicaps. An additional investment in the property will be productive of an extraordinarily large return.

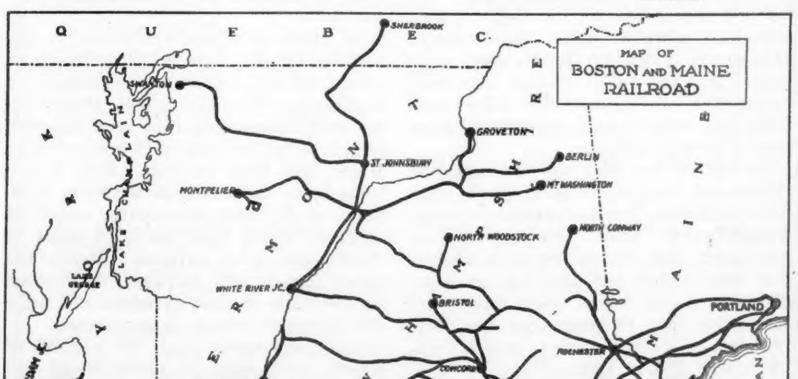
In the program of dropping nonprofitable mileage, application has already been made to abandon some 259 miles. To date permission of abandonment has been granted in respect to 97 miles, refused in the case of 69 miles, and 65 miles compromised, while action on 28 miles is still pending.

In the same general program a great deal is being accomplished along the lines of replacing steam with gasoline motive power on light traffic branches, and the substitution of automobile for rail service. To the latter end the Boston & Maine Transportation Company was organized, commencing operations May 17, 1925, and in the first seven and a half months to December 31, about came out evenly from a financial standpoint.

To conduct its improvement program the company is in the best financial position in many years. Net quick assets on December 31 last were \$14,737,846 and included \$4,448,320 of cash. An award against the government for back mail-pay in the amount of \$800,000 has recently been made. Considerable funds will be supplied by sale of surplus real estate, particularly in Boston. From such sales in recent years there has been realized—between 1920 and 1924 inclusive—\$2,176,000 and in 1925, \$544,000.

The principal addition to cash re-

(*Please turn to page* 286)



Pennsylvania R. R.

Pennsylvania Expected To Raise Dividend Rate

What a $3.50 dividend would mean for the stock—Effect of dividend action on other rails

By DAVID PARKER

IN 1907, for but one year, Pennsylvania paid a dividend of 7% on its $50 par, common stock, or $3.50 per share. From that year on it paid 6% until 1921, 4½% in 1921-22 and 6% again thereafter. For four years there has been no change in the dividend, but 1925 earnings have been such as to inspire the belief among many that the dividend rate can again conveniently be raised to 7% or $3.50. On the nearly 10 million shares of common stock, this increase of dividend would call for an expenditure of 5 million dollars.

Such action, if taken, would have a meaning that no other dividend increase by any other railroad could possibly have. Whether or not it is today a market bell-wether, Pennsylvania is most undoubtedly a bell-wether of rail policies. Favorable dividend action by this great system would redound to the benefit of high-grade rail stocks of other companies. In other words, it would be of interest to more than Pennsylvania stockholders. The reason is simple; Pennsylvania remains the greatest system in the world. Its gross operating revenues of 672 millions are unapproached, and its 1.8 billions in assets and liabilities is tremendously impressive. It counts over 140,000 shareholders. Its dividend policy has always been conservative. Hence any raise in its dividend rate would presage more liberal disbursements for stockholders in other systems and therefore bring about a higher level of stock prices.

In fact, it has been the earnings per share, and the low dividend return that have militated, for the present, against Pennsylvania stock enjoying better quotations than prevailing price of $51. For book value per share is at least $86 per share, which is in excess of any price that Pennsylvania has commanded. The high price, in this century, was $85 in 1902.

Earnings on Pennsylvania stock per share have been $5.16 in 1923, $3.82 in 1924 and $6.23 in 1925. On the basis of the three year showing, the stock at 51 is selling at slightly over ten times average earnings of $5.07 per share. On the basis of 1925 earnings alone, however, Pennsylvania is selling at only 8.1 times its earnings. On a $3 dividend basis, the stock is selling to yield 5.88%. But 1926 earnings appear to be continuing the level of 1925, so that earnings of at least $6.30 are foreshadowed for this year. Even on the three-year average of $5.07 per share, an increase of dividend to $3.50 would be justified. Assuming earnings of $6.30 for 1926, earnings for the four years would then average $5.38 per share.

Pennsylvania's Dividend Record

	Earned per Share	Dividends	Percent of Dividends to Earnings
1918 A.....	$4.25	$3.00	70.5
1919 A.....	4.30	3.00	69.9
1920 A.....	3.29	3.00	91.1
1921.......	2.44	2.25	92.2
1922.......	3.25	2.25	69.2
1923.......	5.16	3.00	58.1
1924.......	3.82	3.00	78.5
1925.......	6.23	3.00	48.1

A—Government operation for 1918, 1919 and part of 1920. Actual earnings given under government arrangements.

In 1925, earnings applicable to the common stock were 62.2 millions, of which 30 millions were disbursed in dividends. This left, after further deductions for sinking fund and reserves, about 26 millions to be transferred to Profit and Loss surplus. Had 5 millions been disbursed as an extra dividend of 50 cents per share, about 21 millions would have been allocated to Profit and Loss surplus. Hence the possibility of this increase of dividend on the basis of past earnings and present earnings seems demonstrated.

On the present basis of a yield of 5.88%, such dividend action would put the stock up to 60. But, as a matter of fact, there is no reason why Pennsylvania stock, after a second year of continued good earnings, should sell on any other than a 5.50% yield basis. Such a basis would be assisted by the confidence engendered by favorable dividend action. This action, in view of company conservatism, would rightfully be interpreted as confidence that the future earnings of the company would be expected to continue at pretty much present levels for a long period. With the bonds selling better than 4.75%, the stock, on a 5.50% income basis, would then sell at about 65, or at ten times present earnings. Such a forecast seems eminently reasonable.

In estimating earnings of $6.30 cents per share, it has been assumed that 1926 earnings for the first quarter will not be duplicated in the ensuing three quarters, in their superiority over 1925 showing. In the first three months of 1926, as against the same period in 1925, Pennsylvania showed an increase from 155.6 millions gross revenues to 164.2 millions. Net operating income rose from 15.1 millions to 17.9 millions, an increase of about 18.5%. This increase in net is due to reduction of operating ratio from 84.5% in first quarter of 1925 to 83.2% in the same period in 1926. This decreased operating ratio is all the more constructive in that the maintenance costs were increased by about 1.8 millions or 3%.

So long as operating ratio continues to decline, while maintenance is handsomely provided for, both present and future earning power of the road are buttressed. Present earning power is increased by net operating revenues growth, and future earning power by improved condition of the road.

Expenditures for new equipment are not expected to reduce the net earnings this year as much as in 1925. It is understood that 30 millions for new equipment is contemplated this year, as against 44.6 millions for the entire system in 1925.

Earnings of more than $7 per share would not be surprising. That a $3.50 dividend could be paid is shown especially by the strong working capital position. It shows 80 millions in net current assets and 52 millions in U. S. Government securities or 132 millions as against 111.5 millions a year before. Any company that can improve its liquid position with ease by 20 millions, out of net earnings (including 37 millions income from investments), certainly can increase its dividends by 5 millions. *There is therefore great warrant for believing an increase in dividends to be within hailing distance.*

Bonds

THE bond market was fairly dull through the fortnight, with a general upward tendency. Persistence of low money rates, accompanied by marked popularity of long-term time loans and commercial paper at rates similar to shorter term commitments indicates marked confidence as to the continuation of such rates. Issuance of City of Detroit bonds with the two-year maturities offered to yield only 3¾% is a further indication of lower investment returns. Hence, recessions in prices have occurred primarily either where issues were inactive or a special unfavorable situation had developed. The normal trend was upwards, and in the case of the best investment public utility bonds, carried them up to the highest point since the 1917 market. New York Edison 6½s gained two points on sustained activity.

Among the rails such semi-speculative favorites as Missouri Pacific General 4s and the two issues of income and adjustment bonds of St. Louis-San Francisco were bid up on account of favorable industrial conditions in the territory served by these rails. Local causes also operated to favor New York traction issues. Signing of the bus bill by the Governor of New York, followed almost immediately by bus proposals by the Fifth Avenue Bus Co., stimulated interest in the absorbed New York Railways. Accordingly the income 6s advanced to 35 although underlying bonds on the outside market were quiescent. Brooklyn-Manhattan Transit 6s rose to nearly 98.

New offerings have been few, and most of such new issues have been municipals at extremely low yields. Of 70 millions issued one week, fully fifty millions were municipals, and only twenty millions corporate issues. "Bond hunger" remains unappeased, with consequent driving up of prices. Present low yields have stimulated hope that bonds selling at or above call price will be called, and refunded at lower coupon rates. Over five hundred bonds, in both the listed and the unlisted market, are selling at such figures, and of these, it would be a conservative estimate that at least two-thirds carry a coupon rate above present financing possibility. On the other hand, it is questionable whether it would pay to effect such refunding and pay the premium, in more than a few cases. Hence, although the air is thick with rumors as to refunding issues they may not have the expected volume. Nevertheless, it is refunding issues that must be relied on for a large section of new issues.

Foreign bonds have shown marked recovery with the recent defences of falling French, Belgian and Italian exchanges. Polish 8s were liquidated on news of the revolution. On the other hand, a new offering of Brazilian 6½s was well absorbed.

The outlook for bonds, as a group, remains favorable and we invite attention to the accompanying list of recommendations.

Bond Buyer's Guide

Bonds for Income Primarily

	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest earned on all debt	Price	Current Income	Yield to maturity
GOVERNMENT ISSUES						
Argentine 6s, 1959................(a)..	44.8	....	....	98	6.12	6.14
Dominican Rep. 5½s, 1942........(a)..	6.7	6.4	....	98	5.61	5.70
Haiti 6s, 1952....................(b)..	15.6	....	....	97	6.19	6.23
Panama 5½s, 1953.................(a)..	4.4	....	....	102¾	5.37	5.33
RAILROAD ISSUES						
Baltimore & Ohio, Ref. 5s, 1995...(a)..	60.0	284.0	1.44	98½	5.10	5.05
Buff. R. & P. Con. 4½s, 1957...... ..	25.6	4.7	1.34	91	4.95	5.08
Genesee Riv. 1st 6s, 1957........... ..	5.7	....	1.44	108⅝	5.52	5.41
Great Northern, Gen. 7s, 1936.....(b)..	115.0	139.8	2.75	113½	6.17	5.25
Kan. City Sou. Ref. & Imp. 5s, '50 ..	18.0	30.0	2.07	98	5.10	5.15
Ky. & Ind. Term., 1st 4½s, 1961.. ..	5.1	....	X	83	5.42	5.62
Minn., St. P. & Sault 6½s, 1931.... ..	10.0	74.6	1.16	103	6.31	5.80
M-K-T, P. L. 5s, 1962.............(b)..	36.6	31.3	1.69	101	4.95	4.95
Missouri Pac. 1st & Ref. 6s, 1949.(a)..	24.1	126.3	1.24	106¼	5.64	5.50
N. Y., O. & W., Ref. 4s, 1992.... ..	20.0	....	1.29	73½	5.44	5.50
Rutland, 1st 4½s, 1941............ ..	3.5	....	1.80	91½	4.95	5.35
San Antonio & Aransas Pass., 1st 4s, 1943	17.5	....	2.63	88¾	4.49	5.00
Western Pacific, 1st 5s, 1946......(b)..	27.8	....	2.26	100	5.00	5.00
PUBLIC UTILITIES						
Am. W. W. & Elec. Coll. 5s, 1934..(b)..	12.7	....	1.32	98½	5.10	5.25
Commonwealth Power, 6s, 1947....(b)..	10.1	....	4.28	104¾	5.71	5.61
Hudson & Manhattan, Ref. 5s, 1957.(b)..	37.5	5.6	1.98	81½	6.17	6.35
Kansas Gas & El. 1st 6s, 1952.....(a)..	14.0	....	1.71	105¼	5.70	5.60
Laclede Gas, C. & R. 5½s, 1953...(b)..	17.5	10.0	1.58	103½	5.31	5.26
New York Dock, 1st 4s, 1951......(a)..	12.5	....	2.73	85	4.68	5.18
New York Edison, 1st 6½s, 1941..(a)..	30.0	38.0	3.71	118	5.50	4.80
Ohio Pub. Ser., 1st & Ref. 7s, '47..(b)..	3.7	4.0	2.61	112⅛	6.25	5.95
United Fuel Gas, 1st 6s, 1936.....(a)..	9.5	....	5.72	102¾	5.85	5.68
Western Union, 6½s, 1936..........(a)..	15.0	20.0	11.20	112⅛	5.79	4.95
INDUSTRIALS						
Am. Smelting & Ref., 6s, 1947......a)..	9.6	....	4.92	107⅛	5.58	5.40
Anaconda, 1st 6s, 1953............(a)..	105.5	16.9	1.34	103¼	5.81	5.76
Bethlehem Steel, P. M. 5s, 1936... ..	22.2	5.1	2.20	98	5.10	5.26
Central Steel, 1st 8s, 1941.........(b)..	4.5	....	4.90	120	6.66	6.05
Goodrich, B. F., Co., 1st 6½s, 1947 ....(a)..	22.7	....	5.35	105¼	6.19	6.07
Hershey Choc., 1st Coll. 5½s, 1940.(a)..	19.3	....	5.18	101¼	5.40	5.38
Int. Paper, 1st 5s, 1947............ ..	6.7	....	7.26Y	94¼	5.32	5.45
Sinclair Pipe Line, S. F. 5s, 1942..(a)..	24.5	....	4.46	91½	5.49	5.80
So. Porto Rico, 1st Coll. 7s, 1941..(a)..	5.0	....	3.31	107½	6.48	6.21
U. S. Rubber, 1st 5s, 1947........(b)..	61.4	2.6	2.91	93½	5.28	5.50

Bonds for Appreciation of Principal Primarily

	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest earned on all debt	Price	Current Income	Yield to maturity
RAILROADS						
Chicago Gt. Western, 1st 4s, 1959.. ..	34.7	....	0.90	68⅞	5.82	6.24
Central New England, 1st 4s, 1961.. ..	13.4	0.2	0.67	72½	5.50	5.83
Erie, Gen. Lien 4s, 1996........... ..	35.9	91.6	1.44	70½	5.71	5.72
Int. Gt. Northern, 1st 6s, 1952....(b)..	17.2	....	1.34	105	5.71	5.63
Mo. Pacific, Gen. 4s, 1975..........(a)..	49.6	219.9	1.24	72½	5.50	5.72
Rock Is., Ark. & La. 1st 4½s, '34..(b)..	11.0	....	1.48	94¼	4.79	5.40
Spokane Int'nal, 1st 5s, 1955...... ..	4.2	....	3.77Z	84½	5.91	6.12
Western Md., 1st 4s, 1952......... ..	46.5	2.3	1.18	72¼	5.71	6.15
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968..(b)..	92.7	....	1.52	97	6.18	6.20
Indiana Nat. Gas, Ref. 5s, 1936.... ..	6.0	....	1.89	94½	5.29	5.73
Manhattan Ry., Cons. 4s, 1990..... ..	40.7	....	0.86	66¾	6.00	6.05
Market St. Ry. 1st 7s, 1940.......(a)..	12.9	....	2.38	98¼	7.12	7.20
Montreal Tramways, Gen. & Ref. 5s, 1955 ....(b)..	2.5	21.4	1.31	92⅝	5.39	5.54
N. Y. & Richmond Gas, 1st 6s, 1951 ....(b)..	2.1	....	1.06	102¼	5.87	5.83
INDUSTRIALS						
Ajax Rubber 1st 8s, 1936..........(b)..	2.4	....	2.23	103½	7.74	7.52
Col. Industrial 1st Gtd. 5s, 1934... ..	31.4	5.3	1.16	88⅛	5.68	7.00
Consolidation Coal 1st & Ref. 5s, 1950	21.1	8.0	2.52	80	6.24	6.66
Commercial Credit, Coll. 5½s, 1935.(a)..	5.0	....	2.74	95	5.79	6.25
Republic Iron & Steel, Ref. & Gen. 5½s, 1953 ....(a)..	8.9	11.2	4.48	94½	5.83	5.92
DEBENTURES						
Am. Chain, S. F. Deb. 6s, 1933....(a)..	6.6	....	6.84	100¾	5.95	5.85
Am. Type Founders, Deb. 6s, 1940. ..	5.0	....	...	103⅞	5.78	5.61
Ligget & Myers, Deb. 7s, 1944.... ..	13.6	....	5.88	122	5.73	5.10
Sun Oil, Deb. 5½s, 1939...........(a)..	9.6	....	3.99 C	99¾	5.51	5.53

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

X—Guaranteed by proprietary companies. Y—Recent earnings about $2.16. Z—Interest only guaranteed by Canadian Pacific. C—Listed N. Y. Curb market. All others on N. Y. Stock Exchange.

What Opportunities in "Income" Bonds?

Difference Between Income and Adjustment Issues—Where They Resemble Preferred Stocks—Which Are the Attractive Issues?

By JOHN POMROY

INVESTMENT experts are pre-occupied at this time with studying the relative position of stocks and bonds in the investment market, with a view towards determining which type of security will afford the greatest profit possibilities in the special economic situation likely to prevail in the near future. Rarely is attention devoted to such securities as lie betwixt and between the two grand divisions of finance; i.e., bonds and stocks.

The income bond is a peculiar hybrid, much more so even than the average adjustment bond. Adjustment bonds have usually originated in railroad reorganizations. The reorganization committee may have sought to reduce the fixed charges of the road, and in order to do so may have had to reduce the principal amount of mortgage bonds outstanding, or change the character of the assets and income liens on such bonds, or, frequently, do both. A majority of adjustment bonds are, therefore, really junior mortgage income bonds, upon which interest payments are met only when earnings justify their payment, and when the declaration of such interest payment is specially ordered by the board of directors. Such declarations make interest payments on these bonds similar to dividend payments rather than coupon payments on bonds, which are compulsory, irrespective of the earning's position of the corporation issuing the bonds. In a minority of cases, adjustment bonds are simple debentures, being secured by no special lien whatsoever. In such instances, adjustment bonds are really mere prior preferred stocks, with one difference, and that is a maturity date. Of course, callable provisions on prior preferred stocks, would make even this latter difference almost indistinguishable.

It is clear, however, that it is not accurate for investors to think of adjustment bonds, as in effect mere prior preferred stocks, although that is their *position* in the capital and earnings structure of the company.

The most vital difference between adjustment bonds and the more usual mortgage bonds, is that the non-payment of interest upon the adjustment bonds does not authorize the holders to institute proceedings towards foreclosure. This is true even with respect to such adjustment bonds as enjoy junior liens upon property of the issuing corporation. Interest payments upon such bonds cannot be demanded until all prior obligations have been met, including taxes, rents, etc., and then only if a surplus thereafter is earned. Even then, it is possible for only a part of such surplus earnings to be disbursed as interest, since the company has a proper right to conserve parts of such surplus earnings for expansion, contingencies, etc. Where such withholdings of interest are grossly unjust, however, the bondholders would not be denied recourse to court action. Their position here would be identical with that of stockholders petitioning for their equitable rights in the surplus of a company. All adjustment bonds, though, have a prior claim upon earnings to any of the stock issues.

Income Bonds Closely Resemble Adjustment Bonds

The term "income bonds" includes all bonds, among them adjustment bonds, upon which interest payments are forthcoming only when earned by the corporation. Like adjustment bonds, income bonds usually have resulted from railroad reorganizations, or, as in New York Railways, traction reorganizations. Holders of mortgage bonds, which had previously been defaulted, have been required to take in exchange such income bonds, either as a substitute for all of their previous mortgage bond holdings, or after a scale down of mortgage bonds, as a remainder amount to even up the principal amount of mortgage bonds formerly held. As with adjustment bonds, such income bonds sometimes enjoy junior liens on the property of the issuing corporation. Such liens are sometimes, however, senior obligations. As a rule, though, they are at the bottom of the funded debt, in mortgage position. Occasionally, income bonds are in effect collateral trust bonds, and in several cases merely debentures. In this latter instance they are prior preferred stocks with maturity dates.

As with adjustment bonds, failure to pay interest, is not a cause of foreclosure. If interest is amply earned and remains unpaid, court action can contemplate suit for payment, but not foreclosure. A distinguishing feature of income bonds is the provision that when the nominal rate of interest has not been earned, then such portion of the interest as has been earned may be authorized for payment on the bonds. Although certain preferred stocks are in the same position, taken, on the whole, this provision closely relates the income bond to the common stock. Common share dividends, of course, vary in amount according to earnings. Hence, it is not at all uncommon, as in the case of International-Great Northern adjustment 6s, to see a 4% disbursement on a 6% bond. In the accompanying table, current income has been computed on the basis of payments for 1925, and not upon nominal interest rates.

Income bonds, of course, carry no coupons. Interest is declared payable on the basis of operations for the foregoing year, or more rarely, half year. Hence, income bonds fluctuate erratically with the rise and fall of their interest prospects. In this they resemble common stocks.

Income bonds are either cumulative or non-cumulative. In several instances, as in New York Railways income 6s, they are cumulative to a certain date, and non-cumulative thereafter. In other instances, they are non-cumulative until a certain date and cumulative thereafter. The former provisions make such income bonds attractive immediately after a reorganization, the latter make income bonds correspondingly more attractive for the future. The only exception to this is a bond such as Seaboard Air Line, adjustment 5s, on which 12½% accumulated interest is in arrears. Here, hope for ultimate improvement in earning power to take up the arrears constitutes the principal market question upon which the rise and fall of the bond depends.

Naturally, as a rule, income bonds constitute the least important of the bond issues of a corporation. They are prior preferred stocks in their position in the capital structure, but they are more than prior preferred stocks in their lien and maturity position. Their market action, though, more usually, approximates that of the stock market than the bond market, unless their interest has been earned so many times over, and so constantly, as to make them in effect, a coupon bond, as to quality of earnings.

Income bonds are not all reducible to the above formulæ. Some resemble stocks much more closely in that they enjoy voting power. Such are the Chicago, Terre Haute & Southeastern income bonds. Others are junior to the common stock in earnings and interest position, although superior in assets

position, as the Green Bay & Western income debentures "B". A queer twist is that the income debenture "A" bonds of this corporation enjoy a part of their return only after the junior common stock has been paid a part of its claims.

Peoria & Eastern has a provision that even when earned, interest payments cannot be made unless the corporation is free from all floating debt. This curious provision discriminating against its income bonds arises out of a lease with the "Big Four," the C. C. C. & St. Louis road. In the case of St. Louis & San Francisco, the adjustment bonds rank ahead of income bonds, so that the adjustment bonds are in the position of a prior preferred, and the income bonds only of a first preferred. In another corporation income bonds are exchangeable par for par into preferred stock. In another there is a standing bid for income bonds, at a fixed cash amount, plus a reduced amount of General Mortgage bonds of the same company.

Apart from New York Railway income 6s, the political possibilities of which have been reviewed frequently in these columns, traction securities present no attractive adjustment bonds except Hudson & Manhattan, an interurban road connecting Newark, Hoboken and New York. Recent authorized extensions into South Newark, and almost certain expansion to the Oranges, suburbs of Newark, will add greatly to its earning power in the future. Affiliated with the Pennsylvania, Hudson & Manhattan earning power has been progressively improving. At present price of about 80½ to give a current income of 6.23% and a yield to maturity of 6.48% these good income bonds are quite cheap. Not only are they attractive for income but for appreciation of principal as well.

Among purely speculative income bonds, there is much to be said for Peoria & Eastern under lease to the "Big Four." The road earned 4.22% in 1925 on these bonds, and is expected to clear its floating debt in 1926, as well as to earn at least 4.22% this year. Although at prevailing prices of 38 flat, the bonds are a little high, at 34, say they would constitute better than a fair speculation. A 4% declaration would then yield over 10%. The stock of the road is held principally by the "Big Four." Although interest payments have not been met since 1913, the prospects for the road are not only the best since that time, but it is possible that these income bonds may be cleared by the "Big Four" when Peoria & Eastern will be merged with that system.

Green Bay & Western "B" income debentures have recently enjoyed a rise of three points, from 15 to 18, upon reports of increased earnings available for interest. Increased earnings of only $70,000, for example, would be 1% on the bonds, and change their income yield (on the basis of ½% present payment) from 2.90% on present price of 17, to 8.90%. Hence small fluctuations in earnings will be reflected immediately in wide fluctuations in price of the bonds. The writer believes that as an investment the "B" income debentures are worth 20, and as a merger speculation, ultimately much more.

Chicago, Terre Haute & Southeastern bonds have been the object of bitter attacks by minority St. Paul bondholders. The road is under lease to the St. Paul. All of these attacks have come to naught, so far, and the bonds will, of course, show marked improvement if St. Paul reorganization goes through as planned.

St. Louis & San Francisco has two large issues, the cumulative adjustment 6s, and the income "A" 6s, both callable at par. The road is admittedly top-heavy in its capital structure and hence it is believed that one or the other issue may be called. There is not much play in the adjustments; which are more likely to be called, and greater play in the income bonds, which are less likely to be called. On an earnings basis, both look attractive.

M-K-T adjustment 5s are related to the price of the preferred stock of the company, since the bonds are exchangeable for preferred stock, par for par. Until the preferred sells at 92 such exchange appears to be profitable, although senior position is sacrificed for higher return. The calculation of advantages is too close to recommend such an exchange.

Deducting 12½% accumulated interest, Seaboard Adj. 5s are selling at 67, on which basis nominal yield would be near 8%. But surplus of earnings is needed for proper operation and capital position of road, and prospects of arrears payments are really remote.

Fifteen Representative Income and Adjustment Bonds

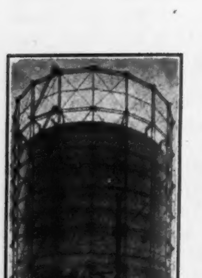
Title of Bond	Amount Out-standing (Millions)	Prior Liens (Millions)	Times Interest Earned	Recent Price	Current Income	COMMENT
Chicago, Terre Haute & South-eastern, cum. inc. 5s, '60......	6.3	15.6	0.92	79	6.33%	Secured by junior mtge. Has voting rts. See text.
Green Bay & West. Income Debentures "A"	0.6	...	11.13%A	75B	6.66	Inactive security. Attractive on income basis.
Do. "B"	7.0	3.1D	2.71%AC	17B	2.90	Recently advanced several points. See text.
Hudson & Manhattan, Adj. Inc. 5s, '57	33.1	43.1	10.40%A	80½	6.23	Interurban road between New York and Newark. Attractive.
Int.-Gt. Nor., Adj. 6s, '52.......	17.0	17.2	7.20%A	68B	5.88	Disappointing earnings make bond unattractive.
M-K-T, Cum. Adj. 5s, '67.......	55.9	92.3	15.86%A	92¼	5.42	Price sustained by pfd. stock call. See text.
New Orleans, Tex. & Mex., non-cum. inc. 5s, '35.............	5.6	...	2.56	100	5.00	Interest amply earned. As pure investment only slightly attractive.
N. Y. Rys., inc. 6s, '65.........	19.4	18.8	3.7%A	34B	...	Political considerations paramount. Speculative possibilities due to bus developments.
Peoria & Eastern, non-cum. inc. 4s, '90	4.0	9.9	4.22%	38B	...	Leased road showing greatly improved earnings. Interesting speculation.
St. Louis-San F., cum. adj. 6s, '55	40.5	155.7	2.58E	97⅛	6.17	Senior income bond which may probably be called at par. For income only.
Do. Income "A" 6s, '60.........	35.2	196.2	2.58E	90⅞B	6.64	Junior income bond with room for advance in price.
St. L.-Southwestern, 2nd inc. 4% bond ctfs., '89	3.0	20.0	1.88	82	4.88	Investment basis with slight appreciation possibilities.
Seaboard Air Line, Adj. 5s, '49..	25.0	103.6	15.43%A	79¼B	6.30	12½% in arrears. Slightly attractive.
Texas & Pacific, 2nd Con. Inc. 5s, 2000	0.2	29.9	2.52	92B	5.43	Exchangeable par for pfd. stock. Very inactive.
Western N. Y. & Pa., Inc. 5s, 1943	9.6	19.9	def	45B	...	Non-cumulative. Inactive. Penn R. R. owns 9.4 millions.

A—Percentage earned on this issue. B—Quoted flat, that is without accrued interest. C—After allowing 5% on "A" income debentures and common stock. D—Including common stock. E—Times interest earned on adjustment and income bonds.

A New Giant Utility System

Standard Gas & Electric takes over United Railways Group—Operations more than doubled

By LORING DANA, JR.



STANDARD Gas & Electric has been among the larger and more progressive of the great public utility systems that are now absorbing nearly all important utilities operations in this country. Known as the "Byllesby" company in utilities circles, it has been distinguished from an engineering viewpoint by its emphasis on interconnected load, commonly known under the misleading, although romantic name, of "super-power." The growth of Standard Gas & Electric has been constant, and while startling over a period of years, there has been a regular growth from any one year to the next.

Early in 1925 it became known that Standard Gas & Electric had made a bid for greatness by purchasing into the great United Railway System—one that contained among others, the Philadelphia Company, operating practically all utilities in the Pittsburgh area, and the Market Street Railways, operating most of the tractions in San Francisco. Finally it has been announced that Standard Gas & Electric had control of the voting power in Standard Power & Light, a subsidiary, and that this subsidiary was in control of the United Railways Investment system.

Joint control of Standard Power & Light had prevailed with a banking firm formerly identified with United Railways financing. Latterly it has been announced that Standard Power & Light is a "Byllesby" company, although the former bankers are to retain a substantial interest in the corporation. With doubled banking backing, and as part of a great system, the Standard Power & Light group has become more important than Standard Gas & Electric originally. Hence investors have much need to study this new great system, since deductions as to its future earning power cannot have any relation to the older Standard Gas & Electric system, considered singly.

The so-called "billion dollar" enterprise is rare, and Standard Gas & Electric, as a consolidated system is near this class. Consolidated balance sheet, as of December 31, 1925, but giving effect to the acquisition of outstanding common stock of the Philadelphia Company reveals assets of 909 millions. Of this total, 78 millions were current assets, of which 37.1 millions were cash, 27.2 millions receivables, 11.3 millions inventories, and 3 millions securities. Current liabilities of 63.2 millions comprised payables of 43 millions, Accruals of 16.8 millions, and consumers deposits of 3.3 millions, the last being a slowly liquidating liability, constantly renewed.

This working capital of 15.3 millions is ample for company operations and indicates no starving of present position for undue expansion. As a matter of fact, both the older Standard Gas & Electric System, and the absorbed United Railways Investment properties were both distinguished by steady growth and fundamentally sound utility economics. Neither attempted showy, expensive or far-fetched operations. It is this double tradition of sanity that is reflected in their balance sheet.

Capital structure of the consolidated system, shows system well balanced between stocks and bonds. Funded debt is 392.5 millions as against preferred stock of 185.5 millions and common stock of 172.3 millions. Funded debt is thus less than fifty-five percent of the capital structure.

Size of Operations Impressive

Standard Gas & Electric's new system operates in fully nineteen states and about 1,200 communities. Among cities covered by its operations, in order of importance are: San Francisco, Pittsburgh, Minneapolis, Saint Paul, Louisville, etc. Population served is close to three millions. Electric generating capacity is about 1.5 million horse-power, a large part of which, especially in the Northern States Power operating in Minnesota, Wisconsin and Dakota, is hydro-electric. Gas manufacturing plants have a capacity of about 107 million cubic feet daily. To this must be added the great natural gas production in Pittsburgh and vicinity, used by the Equitable Gas Company.

The new system embraces 144 generating stations. Sales of electric energy in 1925 were over three billion kilowatt hours, and gas sales about 53 billion cubic feet. Although about 70% of the net earnings is derived from electric sales, absorption of Market Street Railways and Pittsburgh Railways must make the traction percentage higher than in old Standard Gas & Electric system.

For the entire system, the number of stockholders is estimated at about 135,000. When the number of bondholders is added, it will be seen that from this viewpoint alone, Standard Gas & Electric is well buttressed.

How Standard Gas & Electric Will Work Out

Standard Gas & Electric Company has always reported not consolidated income, but, instead, actual cash income either from dividend and interest payments by subsidiaries, or income from other sources. Hence it is best to compare present balance sheet and earning power of the holding company with previous balance sheets and income statements of both holding company and recently absorbed companies. Fortunately, both Philadelphia Company and Market Street Railways, the two largest absorbed companies have similarly reported, so that the path of comparison is made easy. Total assets and liabilities, as of Feb. 28, 1926, and after giving effect to present financial arrangements, are 165 millions. Of this, net tangible assets were 96.9 millions, or about $60.40 per share of common stock. Current assets are 12.7 millions and liabilities 7.8 millions, leaving working capital only 5 millions. Obviously current assets have not been concentrated for appearance in the holding company, but are distributed among the operating companies to take adequate care of their needs. Holding company has less than a third of the working capital of 15.3 millions revealed in consolidated balance sheet.

Capital structure of the holding company is excellent. Of total capitalization of less than 150 millions, only 22.5 millions is funded debt, or about one-seventh! Three classes of preferred stock are outstanding. The 7% prior preference stock has recently been augmented by 3 millions, and 21 millions is outstanding. Of the 8% preferred stock, 16.5 millions is outstanding, and of the 6% preferred stock only one million. The latter stock is held

exclusively by H. M. Byllesby & Co. Par value is $1, and stock is entitled to vote share for share with the common stock. Common shares, to be outstanding after all exchanges of stock with shareholders in the absorbed companies are completed, will be 1,604,000 shares, carried at 88.4 millions, or about $55 per share. This valuation is $5 less than the net tangible assets per share.

It is to be hoped that the 8% preferred stock will be retired as lower interest rates prevail, and that the company will be enabled to retire this stock by sale either through a lower dividend rate preferred stock, or by the sale of additional common stock.

Future income of the new system has a broad base in consolidated gross revenues. These nearly equal 140 millions, and ought to total considerably more for 1926. In addition, Shaffer Oil & Refining Company, a non-public utility subsidiary, has a gross of about 15 millions annualy.

On the basis of 1925 earnings of older Standard Gas & Electric Co., and net income applicable to common stock of Philadelphia Company, and Market Street Railways Company, pro-rated to present outstanding common shares of Standard Gas & Electric, earnings on the new system for 1926 ought to show at least $6.50 per share on the 1,604,000 shares of common. Naturally Philadelphia Company contributes the lion's share of such an estimate.

On the assumed basis of $6.50 per share as demonstrated earning power of the common stock, and on a basis of $60 per share tangible value, a fair market estimate of Standard Gas & Electric common would be about $65. As a matter of fact, common shares of utility holding systems sell on a somewhat more liberal basis, so that $70 per share would not be an extreme estimate. Prevailing price is about $53 per share.

Is Proposed Exchange of Stock Equitable?

The most important exchange of stock proposed is that of Philadelphia Company common stock, at the rate of one share of Philadelphia Company stock for 1 2/5 shares of Standard Gas & Electric common stock. On market basis of $53 per share for Standard Gas & Electric, this gives Philadelphia Company stockholders about $74 in stock. Earning power of this 1 2/5 shares on $6.50 basis per share is $10.70, or in excess of present Philadelphia Company earnings for one share. Dividend payments on the 1 2/5 shares of Standard Gas & Electric stock are $4.20 as against $3 per share on one share of Philadelphia Company. Obviously this exchange is fair, and even advantageous.

Simplification of Company Structure

Standard Gas & Electric is aiming at a simplification of company structure, a rare thing indeed, as the tendency at this time is towards increasing complexity in number of companies, holding companies, etc. In accordance with this program of simplification, the cluster of holding companies such as United Railways Investment, California Railway & Power, Pittsburgh Utilities, etc., will all be eliminated.

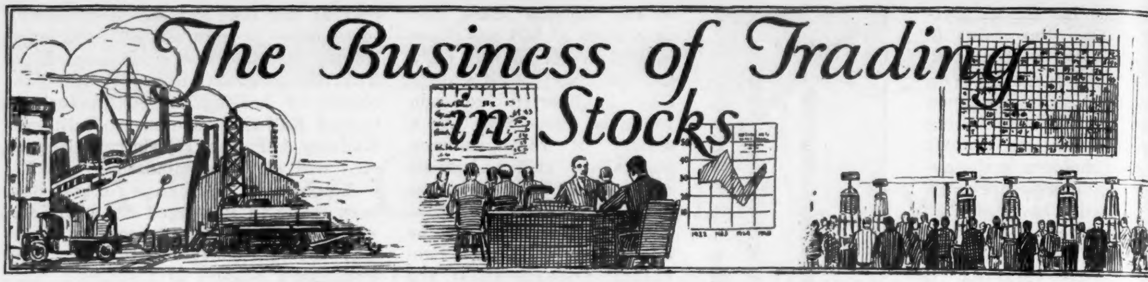
Accordingly, exchange offers have been made to Preferred Stock Holders (including voting trust certificate holders) of Pittsburgh Utilities, Prior Preference holders of California Railway & Power (slight public interest only) and preferred and common shareholders of United Railways Investment Co. Detailed analysis is not called for here, except to state that these exchanges appear to be even more advantageous than that of Philadelphia Company.

What Is Standard Gas Stock Worth?

*Mere size of operations will increase stability of earning power of Standard **Gas & Electric System.** New system inherits a sane financial policy from both old Standard Gas & Electric and United Railways Investment system. Earning power per share of common justifies a somewhat higher price than $53, the current price, although such increase of market value, in the present state of the market, need not soon be expected. An important bullish factor, although not immediately effective, should be the obviously large concealed assets of Equitable Gas Co., and other units of the Philadelphia Co. Book valuations of this system are far below any fair valuations and when recognized will reveal larger asset value behind Standard Gas & Electric Stock. As market grows more discriminatory this inherent value will be reflected in **price.***

Ten Largest Units in New Standard Gas & Electric System

Name of Unit	Gross 1924 (Millions)	Net 1924 (Millions)	Gross 1925 (Millions)	Net 1925 (Millions)	Funded Debt	Number of Customers	COMMENT
Phila. Company (includes Duquesne Lt)	58.1	16.4	60.5	24.1	107.5	375,000	Supplies electric light and power, gas and traction to heavily industrialized Greater Pittsburgh Area.
Northern States Power	24.8	11.1	26.4	12.2	109.1	300.000	Serves large sections of Minnesota, Wisconsin and Dakota, primarily with electric power and light. Highly developed interconnections. Serves Minneapolis and St. Paul. Also supplies manufactured gas.
Shaffer Oil & Refining	9.1	2.3	15.3	4.4	11.4	......	A producing, distributing and refining unit, which showed great increase in sales and profits in 1925. This petroleum producer's profits are more likely to vary than those of utility properties.
Oklahoma Gas & Elec.	8.0	2.6	10.1	3.6	31.5	70,000	Utility system dominating Oklahoma, which has been very cleverly financed during 1925.
Market St. Rys. Co..	9.8	2.2	9.9	2.2	12.4	......	Supplies three-fourths of traction service in San Francisco. Not growing rapidly, but new management may increase net.
Louisville Gas & Elec.	7.2	3.5	7.9	4.1	28.4	73,000	Controls electric and gas supply of Greater Louisville. Present profitable operation to be augmented by new hydro-electric development.
San Diego Cons. Gas & Electric	4.7	1.9	5.2	2.2	11.4	53,000	Serves San Diego and vicinity. Southern California city growing steadily though not spectacularly. A good subsidiary.
Wisconsin Public Serv.	3.6	1.5	4.0	1.7	10.4	31,000	Operates principally in Northeast Wisconsin and Western Peninsula of Michigan. Has 67,000 H.P. capacity. Region prosperous, although slow growing.
Western States Gas & Electric	3.2	1.5	3.2	1.6	17.4	38,000	Operates principally in agricultural area in California, and has extensive hydro-electric development.
Mountain States Power	2.2	1.0	3.0	1.1	10.1	36,000	Has scattered holdings in Washington, Oregon, Idaho, Montana, Wyoming, including Tacoma, Wash. and Casper, Wyo., a prosperous oil community. Gross increasing faster than net.



Part I: Learning the Business of Security Trading

A Series of Articles for Investors by JOHN DURAND

Introduction THIS series of articles is written for the benefit of that rapidly increasing section of the general public seeking to utilize intelligently a portion of its surplus funds in channels where the principal has an opportunity to grow. The purpose is to outline what may almost be termed the modern science of speculating in securities, as distinct from investment for income only. While primarily intended for the beginner, who knows little about the methods employed by successful speculators and traders, it is believed that even old-timers may find a suggestion here and there that might help to build up their efficiency.

Need for Training The TRADER in securities undertakes to profit by changes in price. If his operations are methodical, and based upon trained judgment, we call him a SPECULATOR. If based merely upon guesses, impulse and hope, he is GAMBLING. The long-run odds are in favor of the Speculator; but against the Gambler.

There never has been a time when the possibilities of making money in Wall Street were so great as at present, nor the opportunities so numerous. Never before have corporation reports been so frequent and informing; never have there been available such prompt and extensive statistics of industry, or such an accumulated mass of educational writing on all phases of the subject.

But these very factors that are working to make Wall Street a safer place for the investor and trained speculator tend to make it an ever more hazardous risk for the impetuous gambler. Speculation, whether practiced as a main line or side line, has now reached the status of a profession in which success is as much dependent upon personal aptitude and training as in Medicine, Engineering and Law.

In any other profession it is generally understood that a man must spend years in education and apprenticeship before starting out for himself, and the merchant frequently begins as an errand boy. Yet these same men will bring down to Wall Street the hard-earned profits and savings from the occupation they know, and expect to make a fortune forthwith at a very intricate business about which they know practically nothing, either through study or experience, and for which they may be fundamentally misfitted.

Ignorance They buy as many shares as the broker will permit; make no provision for accidents and poor judgment; trade on hunches and tips; and know next to nothing about technical position, outlook for the money market, industrial trend, business prospects, intrinsic value, corporation management, stock ownership, or any of the other technicalities of this highly complex business. In the end, they either keep on feeding good money after bad until their resources are exhausted; or else quit in disgust, under the illusion that: "No one can make money at this game but the insiders, and Wall Street is a gang of robbers."

The facts are, however, that ethical standards are today fully as high in Wall Street as in many other lines of business; and there are thousands of men reaping handsome returns, year after year, upon the capital and time devoted to speculative operations in securities who are not insiders in the sense that they own a seat on the Exchange, or hold points of vantage as corporation directors. They are men of just ordinary character and ability, who make a serious study of facts available to all, and profit by experience. By such, inside information is neither sought nor required.

Intuition If speculation were an exact science, one would simply have to analyze a situation, select the appropriate rule, and buy or sell accordingly. But the factors that influence prices are infinite in number and character, as well as in their effect upon the market; and the speculator's forecasts of the probable outcome are nothing more than composite products of his own emotional equipment, his theoretical knowledge of the principles involved, and that reservoir of accumulated memories called "Experience."

Modern psychology tells us that many of our experiences become buried so deeply in the subconscious that their lessons can become available to the conscious mind only under the guise of "Intuitions," or what the artist calls "Inspiration." The intuitions of a seasoned speculator are frequently prophetic to an uncanny degree, for they spring from the union of fresh facts with rich experience. But a beginner's "Hunches" must be without forecasting value, since they are little more than impulsive ideas arising from the impact of suggestion upon his unguided emotions.

This explains why success in the "art-science" of speculation must be founded upon discipline of the emotions, a thorough absorption of all available literature on the subject, and long practical experience.

Mental Equipment Someone has said that a man's greatest enemy in the stock market is his own psychology. There are people who never make a go of speculation, because they lack the requisite mental balance and can never acquire it.

We have observed that training received in engineering and kindred professions offers about the best foundation upon which to build a post-graduate course in the art of speculation. The engineer has acquired habits of accurate observaticn, analytical reasoning, and dispassionate application. He approaches the problem of market forecasting from a cause-and-effect viewpoint, and calmly squares his errors with the law of averages. This does not imply that one must have worked first as an engineer to become successful as a trader; but it does mean that the engineering type of mind and character is best suited to unravel

the complex mysteries of market fluctuations.

At the risk of being scorned by the younger generation for moralizing, we must review at this point a few of the more important mental assets and handicaps. They may all be summed up in the words, intelligence and character.

The successful speculator must be able to analyze an existing situation, weigh the relative importance of elements that coincide with previous experience and those that differ, then strike a balance to determine whether the probabilities favor an upward price movement or a decline. This process of logical comparison and evaluation we call "Judgment."

He must be sufficiently *Self-reliant* to derive his own conclusions from rumors, propaganda and advice; but *Pliable* enough to alter his market position upon sufficient evidence that his original judgment was wrong, or that conditions have since changed. He should be *Reticent* about discussing his trade and his profits but lose *False Pride* about admitting an error which may influence him to hold on too long or get out too soon. He should weigh all the possibilities carefully before making a commitment; and when *Prudence* issues a word of warning, he should have the *Patience* to wait for a situation in which the indications are more decisive. Once the mind is made up, he should act with *Promptness* and *Decision;* and have the *Courage* to maintain his position, regardless of all irresponsible outside influences and suggestions.

Under the best of circumstances, trading is likely to place quite a strain upon the nerves. The business requires constant *Watchfulness, Alertness* and the *Ability* to make quick decision. If inclined to be *Temperamental,* the safest policy is to close out all short term trades on "off days," while holding the long-pull commitments. Above all, the speculator must have the *Will Power* to control his desires and emotions. His mind should function as a machine, never acting upon impulse. He should neither be elated by success, nor depressed by failure. Profits and losses should be reckoned in points and percentages, without thought of the actual number of dollars involved. *Fear, Worry* and *Greed* cloud the judgment, and are deadly enemies to success.

Study

Opinions differ as to the value of so-called "Fundamentals" to the simon-pure trader. But, as the term, "Trader," as here used, covers a much broader field than mere tape reading; there can be no argument over the importance of acquiring the broadest possible background of general information as an aid to forecasting the "Trend" of general business conditions, special industries, and individual securities.

It would be well to begin by assimilating a few standard works on modern psychology; economic history of the world, and of your own country; practical treatises on economics, sociology and politics; history, functions, and mechanism of the world's great commodity and security markets, especially the New York Stock Exchange; corporation law, and court decisions covering the ownership and transfer of securities; fundamental principles of banking, including interest rates and foreign exchange; the elements of corporation accounting, with special reference to methods of analyzing balance sheets and income statements; and, above all, the history, technique and economic phases of the more important industries—such as the railroads, automobiles, steel, copper, petroleum, packing, leather, textiles, sugar, etc.

As an introduction to the more technical aspects of the subject we would suggest, among others, the following standard works:

History of Business Depressions: Lightner.
Source Book of Research Data: Haney.
Investment Analysis: Lagerquist.
Interest Rates and Stock Speculation: Owens and Hardy.
Fourteen Methods of Operating in the Stock Market.
Studies in Stock Speculation.
Studies in Tape Reading: Wyckoff.

A good way to digest the subject matter of all these books is to read the text carefully, then start again at the beginning and abstract the salient points. These abstracts may be filed in loose-leaf binders for future reference, and should be re-read after a year or more of practical trading experience. They will then take on new meaning, and much valuable material will be discovered that passed over the student's head at first reading.

Evolve A Plan

To become successful as a speculator one must work out his own method of operation, and follow it closely. At the outset, you may have to try out several plans in order to settle finally upon one that is best suited to your proclivities, mental make up, and circumstances. This will be covered more fully in a later instalment.

Suitable records of past performance should be accumulated, alongside of whatever statistical data may seem relevant. These records will naturally take the form of graphs and charts, to be utilized as aids in formulating your own conclusions as to when and what to buy and sell.

Paper Trading

Now try out the plan for a few months "On paper," allowing yourself a definite amount of imaginary capital, and assuming that no more will be available when this is gone. The try-out should be in two sections:

First: go over your records of several years to ascertain how well the plan would have worked in the past during all kinds of markets. Note the percentage of losses, the average net profit or loss per month and per annum, and the greatest continuous run of losses. Figure out what would have happened to your trading capital had you been unlucky enough to start trading at the beginning of the longest and worst run of losses. Second: try actual day-to-day paper forecasting for a few months; setting down your commitments in advance, and keeping a faithful record of failures as well as successes.

You will find it much more difficult

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Some of the Articles Which Will Appear in This Series

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INDUSTRIALS

Which Are "Depression-Proof" Stocks?

A List of Sound Stocks from Which the Investor May Select a Choice Offering a Good Yield, Relative Stability in an Uncertain Market, and Long-Range Possibilities for Enhancement

By STANLEY WRIGHT

THE culmination of a bull market has the natural effect of bringing into the limelight stocks of companies which have demonstrated a stability of earning power year after year. During a period when prices are steadily rising, the greater part of such issues are forced into the background. Their earnings being more or less of a known quantity, they obviously do not appeal to the public imagination to the extent of stocks of enterprises whose income producing abilities fluctuate according to general business conditions or according to conditions prevailing in the particular industry.

Some industries turn out a line of products enjoying such a consistent demand that they are largely immune from the peaks and valleys of the business cycle. It is to these that preference is or should be given when the stock market turns downward. If this were done, a large proportion of the losses sustained in a bear market would be averted. Such stocks, of course, are influenced by general market conditions, but their reactions are as a rule less severe, and there is always the comforting feeling that it is only a matter of time before they will recover to previous levels.

This assumes that discrimination will be used in the selection of stocks of this character. Management and past records are vital considerations. A company is not necessarily sound simply because it operates in a stable industry. On the other hand, there are a few companies in industries where conditions are inherently fluctuating that have been able to maintain uniform or steadily increasing earning power without regard to business depressions. If an investor in a declining market were looking for stability he would hardly select *Jones Brothers Tea* even though the chain store is one of the most stable of all industries. He could, however, do a lot worse than to choose *United States Gypsum* in spite of the fact that this company caters largely to the building industry, which by no stretch of the imagination can be regarded as stable.

THE list of stocks given on the opposite page are well worth the attention of investors, since they combine considerable immunity from adverse market fluctuations, stability of income, diversity of industries, and satisfactory prospects for long-range enhancement.

Jones Brothers Tea and United States Gypsum are merely cited as exceptions in order to bring out more forcibly the necessity for discrimination. The former has as yet been unable to place its business upon a profitable basis, whereas the latter, through judicious diversification of products, a constant flow of repairing contracts, and excellent management, has shown a remarkably steady growth in income uninterrupted by the severe depressions of a few years ago in the building trades.

Necessities Always in Demand

Depression-proof businesses in the last analysis are those which deal in the necessities of life or which specialize in low-priced merchandise. The five-and-ten cent stores are the outstanding example of the latter. It stands to reason that when times are hard the tendency will be to concentrate purchasing as far as possible in these establishments.

Public necessities cover a wide range of products so that the choice of the investor is not too limited. They may also include certain low-priced luxuries, that is, things not absolutely essential, but which are not likely to be dispensed with to any marked extent even when the public as a whole is short of funds. Principal among such luxuries may be mentioned cigarettes and motion pictures.

The last decade furnishes an excellent means of judging depression-proof stocks, as it included the period of drastic deflation following the war. Companies that were able to record their 1921 operating results in black figures were in a decided minority, and therefore stand out clearly, especially those which showed little or no variation from the average of the years just previous. If we examine these fortunate ones in the light of their subsequent records and any changes in the present position and outlook that may be occurring, we have then a fair idea of the best stocks to select at a time when the trend of the market is at best uncertain.

It is necessary, however, to carry the analysis somewhat further. The primary purpose of selecting stocks of this character is to obtain safety of principal and an adequate yield. Some issues which would otherwise meet the requirements are selling too high to offer any great attraction. Others unlike most in this class are speculative favorites and are subject to wide market fluctuations.

Then there are other companies successfully conducting apparently stable enterprises which give every indication of being able to weather a depression, but which have had no opportunity to demonstrate this ability on account of having been organized subsequent to 1921. In such a group might be included *National Dairy Products*, a concern that for the last three years has been actively engaged in bringing under central control a large number of non-competing dairy and ice cream companies in various parts of the country.

Other Examples

An attempt has been made in the adjoining table to present a few stocks

answering the requirements discussed herein, and suitable as reasonably long range holdings at this time for those desiring insurance against the adverse influences of a possible sustained decline in the general market, and a fair yield as well. The two major five-and-ten-cent stores have been omitted from the list, for although they are unlikely to be hurt by depressions, the stocks are relatively high priced and not free from the risk of loss to those purchasing them at prevailing levels. We refer, of course to *Woolworth* and *Kresge.* The same applies to *United Cigar Stores.*

General Electric and *Westinghouse,* the dominating factors in the electrical equipment field, made very creditable showings in the 1921 depression. The wide market movements of General Electric shares, however, render them unsuitable for our present purposes. Westinghouse is included on account of its more stable market and more adequate yield, although intrinsically it has less to offer than General Electric.

The Moving Picture Field

There is one company which has shown remarkable stability of earning power, and yet the common stock has been subjected in a high degree to alternate periods of buying and selling, with the consequent wide fluctuations in market price. This is the most important of the motion picture issues, *Famous Players.* Although to a less extent than formerly, the market appraisal has been decidedly at variance with the annual figures reported. This can probably be attributed to the fact that earnings are seasonal and fluctuate considerably from quarter to quarter, the bulk of the profits being derived from operations in the final quarter. The competitive nature of the industry has been a factor, as also the belief in the mind of the investing public that the production of motion pictures involves hazards. At some future date, therefore, Famous Players common may take its place among depression-proof stocks which can be purchased in times of stress, but it hardly qualifies as yet in spite of meeting the requirements from an earnings and dividend standpoint.

In the moving picture field, organizations which concentrate upon exhibition, such as *Balaban & Katz* or *Loew's, Inc.,* before its acquisition of *Goldwyn Pictures,* seem better adapted for our present purposes. The former is of too recent origin, however, to have demonstrated its stability over a period of years, and the latter, while doing exceptionally well, is at the same time subject to more ups and downs since its entrance into the producing end of the moving picture business.

American Ice is another company that has consistently earned substantial amounts on its common stock in recent years including 1921, but the wide fluctuations in the shares preclude their inclusion in the adjoining list. For many years prior to 1919 no common dividends were paid, and the company has to live this down, as it were, before its stock can take on an investment aspect.

Enough illustrations have been given to bring out the necessity for careful discrimination in the selection of depression-proof stocks if stress is to be laid upon safety of principal. It has been shown that a consistent earning power in good times and bad is not enough. Proper attention must be given to price, yield, nature of product, changes in conditions and managements, length of the company's existence, and the attitude of the investment public in regard to it.

It would be interesting to compile a speculative list of stable earners, and such issues would make admirable selections at the bottom of a bear market. With conditions as they now are, however, it is of more value to give weight to the investment aspect. A wide diversity of product is furnished in the tabulation presented herewith, and a purchase of five or more stocks therein, besides offering a good yield, will provide safeguards against business depressions and reasonable assurance against loss of principal in the long run regardless of immediate trend.

Fifteen "Depression-Proof" Stocks

Recommended for Stability of Dividends, Attractive Yield, Relative Immunity of Earnings to General Business Conditions, and Long-Range Prospects for Appreciation

Company	Common Shares Outstanding	Bonds Outstanding	Preferred Outstanding	Average Earnings on Common 1920-1925 per Share	Minimum Earnings on Common 1920-1925 per Share	Common Dividend Rate	Approximate Yield (%)	COMMENT
American Tobacco	1.95 mil.	$1.2 mil.	$52.7 mil.	$8.36	$6.69	$8.	7.1	One of the 3 leading manufacturers of popular brands of cigarettes. Stock offers most attractive yield of the three.
American Railway Express	346,000	None	None	6.83	6.02	6.	6.4	Practical monopoly of railroad express business. Earnings vary only slightly from year to year.
American Typefounders	60,000	$6.4 mil.	$4. mil.	16.20	14.56	8.	6.8	Common dividends paid continuously since 1898. Manufactures all kinds of printers' supplies from type to presses.
Childs	334,000	$7.4 mil.	$5. mil.	5.47	3.91	2.40 4% in com. stock	6.9	Rapidly growing chain of popular restaurants. Present number 109. Also has extensive real estate interests.
Cons. Gas, El. Lt. & Power of Baltimore	842,000	$57.8 mil	$12. mil.	4.84	2.41	2.50	5	One of the few public utility operating company stocks, attractively priced in relation to earnings. Electric output increasing.
Diamond Match	168,000	None	None	10.35	9.56	8.	6.8	Largest of the match companies.. Also in lumber business. Stock on Chicago Exchange.
Electric Storage Battery	798,000	None	Negligible	7.26	4.60	5.	6.6	Long dividend record. Big construction business in addition to batteries. Helped by radio industry.
Gillette Safety Razor	2 mil.	None	None	5.50	5.06	3. plus extras	3.2	Dominates field in safety razors and razor blades. Income doubled in 6 years.
Pennsylvania Salt	150,000	None	None	6.35	4.78	5.	6.7	Phila. Stock Exchange. One of the oldest industrial enterprises in country, manufactures line of heavy chemicals.
Safety Car Heating & Lighting	99,000	None	None	9.53	7.28	8.	6.2	Continuous dividends since 1889. Does bulk of business in equipping railroad cars for light and heat.
Schulte Retail Stores	1.1 mil.	None	$3.6 mil.	4.38	3.74	8% in common stock	8	Operates over 280 retail cigar stores throughout country. Also extensive real estate interests.
Sterling Products	625,000	None	None	6.60	5.47	5.	6.6	Widely diversified business in household remedies. Strongly entrenched financially.
U. S. Gypsum	507,000	None	$8.7 mil.	12.48	6.52	1.60 plus extras	Variable	Remarkable and uninterrupted growth. See text.
Westinghouse Electric	2.3 mil.	$36.2 mil.	$4. mil.	7.13	3.89	4.	6.1	Second only to General Electric in electrical equipment field. Stock slow to move, but business on sound basis.
Wm. Wrigley, Jr.	1.8 mil.	None	None	3.74	2.35	4.	8	Substantial business developed in widely advertised brands of chewing gum.

What's in Store for the Leading Steel Stocks?

Some Recession In Evidence—Earnings and Dividend Prospects

Electric Furnace, showing the hot metal being tapped. At the top of the furnace will be seen the three electrodes for leading the electric current into the furnace. Bethlehem plant of the Bethlehem Steel Company.

WITHOUT exception, the leading steel companies turned in very satisfactory earnings statements for the first quarter. Even the smallest concerns, those that are more prone to run their yearly profit and loss accounts into red figures than black, made a fair showing in this period.

Inasmuch as steel prices have been in a broad downward trend since the beginning of 1924, with only minor recoveries from time to time, it is apparent that these earnings were not accomplished at the expense of steel consumers. That is to say, the mills have managed to maintain profit margins by some other device than that of pushing up the market.

Competition has been intense, due to the excess of productive capacity which still remains as an aftermath of war time expansion and the struggle for supremacy in recent years. Hence, there has been no secure foundation upon which to build a firm price structure and the producers, accordingly, have sought a solution for rising material costs and declining prices in greater devotion to operating economies.

In this, they have been encouraged by the record volume of demand from the principal consuming industries which has permitted maintenance of operating schedules at exceptionally high peace time rates. Forward buying which characterized the steel business in former times has become all but nonexistent, yet current consumption has forced the mills to exert themselves, thus facilitating the reduction of overhead expenses.

While the railroads accounted for a smaller percentage of steel demand last year than heretofore, this change was caused not so much by a decline in actual tonnage consumed as by the heavier demands of the building and automobile trades. Despite the slow buying of motive power and rolling stock, railroad steel requirements are still the most important single source of business for the producers.

Structural steel consumption, like that for the account of the motor industry, has mounted steadily for the past few years and in 1925 reached unprecedented proportions. This uptrend continued through the fore part of the current year, but of late there has developed a noticeable slackening in both industries. Since these two consuming groups took approximately 30% of last year's steel production, it is evident that slowing demand in this direction is bound to exert an influence on prices as well as production during the next few months.

Earnings of the steel companies, therefore, cannot be expected to measure up to the standards of the first quarter. Unfilled orders of the U. S. Steel Corporation fell to 3.87 million tons in April, the lowest since September and very nearly the smallest total reached since July, 1924. This drop conveys a very good idea of what is happening in the industry as a whole. At the same time, unfilled orders are less important as an index of trade conditions than formerly because of the marked lack of forward buying in the past year or so.

The position of the four leading manufacturers is outlined below.

UNITED STATES STEEL

Earnings of $3.88 a share for the common stock reflect the pressure under which the leading interest operated during the first quarter of the year. Output averaged approximately 91% of capacity. This rate was above the average for the industry as a whole, as is usual with the Steel Corporation.

It is worthy of note that while operations were practically maintained at the same level in the corresponding quarter a year ago, net profits per share for the common stock were but $2.93, and this despite the fact that prices then were higher. This apparent inconsistency may be explained by a lowering of operating costs this year compared with 1925.

The extent to which such costs may be reduced is obviously subject to limitation, so that it would be unreasonable to anticipate a similarly good showing in the second or third quarters which are normally slack months in the steel industry even under more favorable conditions than are at present extant. The corporation has already felt the slowing demand as shown by recent reports, indicating operations at 91% of capacity compared with the March peak around 97%.

True, the current rate represents a slight gain over the January and February average but it is unlikely that this pace can be maintained in view of the general situation and prospects for lighter consumption of steel on the part of the principal consuming industries. Then again, with the prospect of price recessions facing the manufacturers, profit margins can hardly hold up to the level of the first quarter despite the possibility of greater operating economies.

On the other hand, it is probable that the Steel corporation will have little difficulty in covering its quarterly dividend by a wide margin. Recent action in placing the common upon a regular $7 dividend basis instead of the $5 regular and $2 extra, was, of course, merely an acknowledgment of a practically accomplished fact and alters the dividend situation in no material respect.

The management has plainly indicated its intention to maintain the pres-

ent dividend policy, pointing out that the necessity for holding the big corporation abreast of its competitors requires large expenditures for improvements and additions. Even as it is, the Steel Corporation has lost ground relatively in recent years and now controls but 40% of the steel making capacity of the country against a little less than 48% twelve years ago.

The retrogression in this respect is significant rather from the standpoint of dividend possibilities than of vulnerability in trade position. The Steel Corporation is too well entrenched and too greatly surpasses them to be seriously challenged by its competitors. It will continue to exert a dominating influence and maintain the advantages of wide diversity and distribution of output which have set it apart from the smaller rivals.

U. S. Steel common has fairly attained an investment standing. The current yield of 5.7% at prevailing prices around 122 is not especially attractive, but for the patient investor, the probability of a larger dividend in later years will outweigh this consideration.

BETHLEHEM STEEL

Bethlehem, during the past three years, has been handicapped to a large degree by the necessity for setting its new house in order. The acquisitions of 1922 and 1923, involving the Midvale, Lackawanna and Cambria companies, placed the largest of the independents well in the front rank of steel producers, next to its great rival, U. S. Steel. The latter's 2.45 billion dollars of total assets and 23.04 million tons of annual ingot capacity make Bethlehem's showing of 617 millions of assets and 7.6 million tons capacity seem puny by comparison, yet Bethlehem now far outstrips its nearest competitor, Youngstown, whose annual capacity is but 3.25 million tons.

Bethlehem's earnings have fallen considerably short of both these producers, however, primarily because of the difficulties involved in bringing the enlarged organization to a high state of operating efficiency. Large sums have been expended upon improvements to the properties taken over in the 1922-1923 mergers. Yet, while it has been necessary to expand the company's capitalization to secure needed funds, Bethlehem's capitalization is still relatively less than that of U. S. Steel, being $75 per ton of ingot capacity at the close of 1925 against $82 for the leading interest.

Some allowance must be made for the the increase of 35 million dollars in capital account this year, attendant upon the sale of new 7% preferred stock. However, a portion of the money raised through this piece of financing is being devoted to the building of facilities for the production of tubular steel products. Bethlehem heretofore lacked only this addition to its output to secure a completely diversified line of steel goods so that the sums thus expended may be considered money well spent in the interest of shareholders.

Meanwhile, the advantages of the company's extended construction program have begun to make themselves apparent. Net profits rose from $2.56 a share in 1924 to $5.30 in 1925 or in terms of earnings per ton of ingot capacity, from $1.22 to $1.81. The recovery in net during the first quarter was even more pronounced, for in the three months ended March 30, 1926, Bethlehem earned $2.37 a share for the common compared with $1.67 in the preceding year.

The company is now rapidly approaching the goal of its ambitions. But the question of dividends may be held in abeyance until the future trend of the industry is more clearly determined, in other words, until the fourth quarter. *With the necessity for conserving working capital now largely relieved by completion of the building schedule, however, it would seem that Bethlehem common's position should henceforth improve steadily, particularly since there are no nearby bond maturities of consequence to interfere with the reasonably early resumption of dividend payments. At current levels around 39, it is a promising long-pull speculation.*

YOUNGSTOWN SHEET & TUBE

Next in point of size and importance to Bethlehem, this company is one of the most successful of the largest steel manufacturers. Operations have been consistently profitable in each of the past thirteen years, barring only 1921, when a deficit of $167,401 was occasioned by general industrial upheaval.

Youngstown's capitalization is more conservative than that of its principal competitors as indicated by capital obligations of $58 per ton of capacity. The company seems to have been even more successful in controlling production costs in the past year than its sister companies, however, since net for the common stock rose from $6.68 a share in 1924 to $12.38 last year. Earnings for the first quarter of the current year were well maintained as shown by the fact that $3.65 was earned against $3.48 in 1925.

Like other steel companies, results in the second and third quarters are not likely to be quite so good, but since the current $4 dividend was practically earned in the first three months of the year, the rate may certainly be considered well secured, if not decidedly conservative.

Youngstown's capital structure is well balanced, bonded debt of 67.55 million dollars being less than the 75 millions of common, represented by 987,606 shares of no par common. Financial strength is demonstrated by the 5 to 1 ratio of current assets to current liabilities prevailing at the close of 1925.

Like Bethlehem, Youngstown has not lost sight of the desirability of maintaining its competitive position in the industry. To that end, it has been liberal with expenditures on account of improvements and additions to plants and facilities. In line with the management's expansion policy, the Sheet & Tube Company of America and Brier Hill Steel properties were taken over in 1923, at about the time of the Bethlehem-Midvale merger.

The fact that Youngstown common now sells at 73 to yield but 5.5% is, in itself, a fair indication that the shares are valued less for the current income return than the possibility of a more liberal rate in the not too distant future. The current $4 dividend seems more or less a fixture, but, given a recovery in the steel business later in the year, the declaration of least an extra would not be surprising.

REPUBLIC IRON & STEEL

Republic is one of the lesser lights among what might be termed steel companies of the first magnitude. In point of capacity, it is outranked by four other independents, while its capi-

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How Four Leading Steel Companies Compare

Company	Book Value of Common per Share	$ Earned in 1925 per Ton Capacity	$ Earned in 1925 per Share, Common	Price Range, 1926 High	Price Range, 1926 Low	Recent Price	Div.	Yield %
Bethlehem Steel	$163	$1.81	$5.30	50	37	39	..	..
Republic I & S.	211	3.00	6.83	63	44	47	..	..
U. S. Steel	250	3.86	12.86	138	117	122	7	5.7
Youngstown S. & T...	110	4.10	12.38	89	69	73	4	5.5

A Market Laggard With Good Prospects

Fundamental Conditions Now More Favorable to Corn Products—Improving Tendency in Earnings—Outlook for Stock

By WILLIAM GETRY

FOR a stock which enjoyed sensational advances almost continuously from 1915 into 1924, Corn Products common has been relatively quiescent for many months and did not figure to any extent in the record bull market inaugurated immediately after the election of President Coolidge. The remarkable manner in which the affairs of the company were transformed by war conditions is well illustrated by comparing the respective quotations. In 1915 the stock sold as low as 8; in 1924 it reached a price equivalent to 218.

Organized in 1906 as a combination of concerns engaged in the manufacture of glucose and other corn products, the same handicaps were experienced as had generally been the case a few years earlier when the era of large consolidations first set in. Properties were taken over at inflated prices, the new enterprises were capitalized to the limit, and common stocks were based entirely upon over enthusiastic expectations in regard to the increased profits which were to follow unified control. As a result there was little balm for common stockholders for many years.

The abnormal business created by the war provided the golden opportunity to such of these combinations as were well managed and whose businesses were intrinsically sound to squeeze out the water, replace intangible with tangible equities, and place themselves upon a strong foundation. Noteworthy examples are U. S. Steel Corp., American Can and Corn Products Refining.

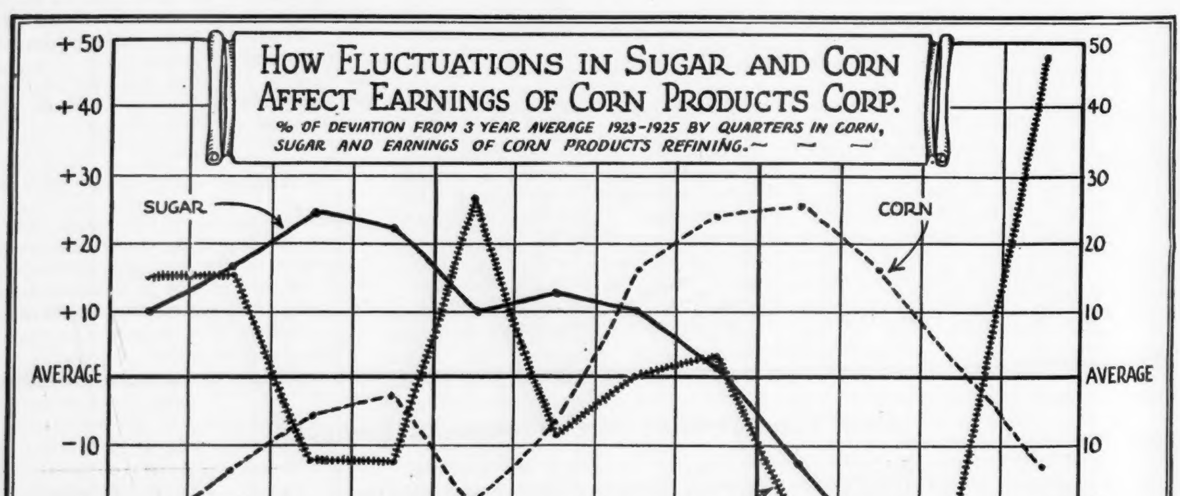
Corn Products has never since duplicated the profits recorded in 1918-1920, but earnings have increased steadily since 1921 up to last year. Before discussing the reasons for the sharp decline in 1925, it would be well to examine the capital structure.

Funded debt is almost negligible, amounting to less than 2.5 millions. There are 250,000 shares 7% cumulative non-callable preferred stock, $100 par, and 2,530,000 shares of common, $25 par. The present status of the common is the result of a 25% stock dividend and a 4 for 1 splitup made on the old $100 par stock in 1924. This had the effect of each holder of one old share receiving five new shares.

It was not until 1920 that any dividend was disbursed on the common, since when payments have continued in varying amounts. A total of $11.25 per share was paid in 1923. The new stock upon being issued was placed on a $2 annual basis equivalent to $10 on the former shares.

To a considerable extent the profits which Corn Products can accumulate in any one year are dependent upon factors over which it has no control, that is, the status of the corn and sugar markets. There is no question that with normal levels for these commodities the company can show consistently satisfactory earnings. Raw material costs are determined largely by corn prices and volume of sales is influenced by sugar prices. The adverse effect of

(Please turn to page 288)



Opportunities in Twenty Inactive Listed Stocks

THE New York Stock Exchange has decided to provide a better market for inactive listed stocks by reducing the trading unit in such issues from one hundred to ten shares and reporting transactions in them on the bond ticker. This should result in greater public interest in stocks which were formerly dealt in only on rare occasions. Accordingly, we have listed the more attractive of the inactive stocks in the following table with comment indicating their respective merits.

Issue	Number of Shares Listed on N. Y. S. E.	Number of Shares Dealt in 1925	$ Earned per Share 1924	$ Earned per Share 1925	Price Last Sale	Div. ($)	Yield (%)	COMMENT
Alabama & Vicksburg	42,000	900	10.98	7.64	116	6	5.2	Interstate Commerce Commission has approved lease of road to Yazoo & Mississippi Ry. on guaranteed rental basis, thus definitely establishing shares on high grade investment, undervalued at current price. Yazoo & Miss. owned by Illinois Central.
All Amer. Cables	269,870	7,987	13.36	14.12	140	7	5.0	Eminently successful South American cable company. Unbroken div. record for more than forty years. No bonded or floating debt. Strong working capital position. Sound investment. Could pay more.
Alliance Realty	120,000	‡none	4.14	4.67	48	2	4.2	Owns valuable properties in N. Y. City. Excellent record with growth continuous. Good long pull prospects.
Atlas Powder	249,527	18,700	4.09	6.08	56	4	7.1	Principal business is in manufacture of explosives, but activities in production of leather, cloth, lacquers, etc., of growing importance. Consistently good earnings record, barring 1921, and well balanced financial structure. Fairly attractive speculation.
Car. Clinch. & Ohio	153,066	900	6.03	§	78	3	3.8	Leased to Louisville & Nashville and Atlantic Coast Line for 999 years, from May 11, 1923. Div. of $3 guaranteed until Jan. 1, 1929; at rate of $4 for next 10 years, and at rate of $5 a share thereafter. Current yield low due to certainty of larger return in future. Strong issue.
Cleveland & Pitts. R. R.	224,754	636	§	§	71	3½	4.9	Road provides Pennsylvania R. R. with direct connection between Cleveland and Pittsburgh. Latter operates and leases Cleve. & Pitts. under lease running to 2870. Div. charge constitutes prior claim on Pennsylvania earnings. Highest grade investment.
Cleveland & Pitts., spl.	557,644	50	§	§	†40	2	5.0	Issued for improvements and betterments. Subordinate to issue above only in respect to dividends. Practically of equal grade.
Diamond Match	168,000	200	9.99	9.56	118	8	6.8	Earnings quite stable, though not so large in recent years as in period prior to 1921. Divs. paid continuously since 1889. Current rate earned by comfortable margin. Sound investment issue.
Helme, Geo.	240,000	24,700	7.99	8.02	70	*3	4.3	Off-shoot of American Tobacco "trust." Inherited part of snuff business of American Snuff Co. Earnings show moderate but rather consistent yearly up-trend. Paid $3.75 extra div. in 1925 and like amount in Jan., 1926. Attractive.
Ill. Cent. Leased Line	100,000	865	§	§	80	4	5.0	Owns more than half of Ill. Central main line between New Orleans and Chicago. Divs. guaranteed by Illinois Central and stock is secured by pledge of Chi., St. L. & New Orleans R. R. stock. High-grade.
Island Creek Coal	118,802	No Sales	17.91	16.09	167	‡	‡	One of lowest cost soft coal producers with exceptional record. Large earning capacity and liberal div. payer. No bonded debt. Attractive speculation.
Mackay Companies	415,834	15,900	7.03	7.03	130	7	5.4	Controls "Postal Telegraph" and "Commercial Cable" systems. Exceptionally stable earnings shown. Divs. paid continuously since 1905 and at current rate since 1923. Sound stock in semi-investment position.
Minn., St. P. & S. S. M. L. L.	112,492	5,100	¶	¶	65	4	6.2	Provides Canadian Pacific's entrance to Chicago. Secured by pledge of Wisconsin Central Ry. preferred. Divs. guaranteed by Minn., St. Paul & S. S. Marie. Medium-grade investment. Attractive.
Morris & Essex	300,000	2,174	¶	¶	80	3.87½	4.8	Leased in perpetuity to Del., Lackawanna & Western, which guarantees dividend payments. Main line of D., L. & W. into New York harbor. Highest-grade investment.
Nashville, Chat. & St. L.	160,000	10,350	12.22	15.80	163	7	4.3	Controlled through stock ownership by Louisville & Nashville. Very strong financial position and high earning capacity. Divs. paid without break since 1904. Current return low but could easily pay more.
New Orleans, Tex. & Mex.	38,556	46,800	16.19	18.42	121	7	5.8	Over 86% of common now owned by Missouri Pacific. Floating supply limited. Has shown remarkable increase in gross and net in recent years. Could pay more.
Pitts., Ft. Wayne & Chic.	868,128	259	§	§	136	7	5.2	Comprises unmortgaged main line of Pennsylvania R. R. between Pittsburgh and Chicago. Divs. guaranteed by Pennsylvania R. R. Attractive high-grade investment.
R. R. Sec. Ill. Cent.	80,000	6,270	**	**	75	4	5.3	Stock interest certificates of investment company controlled by Union Pacific. Certificates mature in 1952 and are redeemable at 105. Secured by deposit of 8 millions Illinois Central common. Attractive as investment.
U. S. Tobacco	381,542	10,000	4.75	5.01	58	3	5.2	Snuff manufacturer, successor to portion of business of original American Tobacco Co. No bonded or floating debt. Earnings stable with moderate uptrend. Speculative possibilities based upon ability to pay larger div.
Vicksburg, Shreve. & Pac.	28,464	800	¶	¶	96	5	5.2	Leased to Yazoo & Miss. Performance of lease guaranteed by Illinois Central. Occupies high investment position.

† Bid price. * Not including extras. § Actual earnings from operation not reported separately. ‡ No regular div. rate established; $9 a share paid thus far in 1926. ¶ Divs. guaranteed; see comment. ** Interest earned 2.34 times in 1924 and 2.16 in 1923. ‡ 1926.

Ten Low-Priced Stocks With Attractive Possibilities

A Selected List of Common Stocks for the Small Investor

LOW-PRICED stocks are created chiefly in two ways, either through stock dividends and split-ups or by arrangement when the issuing company fixes the par value of its shares on organization. In an earlier day, low-priced stocks were almost wholly of the latter class and too frequently of dubious character. This condition was due to the fact that promoters who were more concerned with stock selling than furtherance of shareholders' interests were quick to discover the public's taste for cheap stocks.

With the expansion of industry and the consequent larger need for capital, legitimate business has been forced to tap the reservoir of credit represented by the savings of the average investor. It has taken a leaf from the book of the "high pressure" stock campaigner and tempted the interest of these small investors by offering stocks at prices which will fit the pocketbooks and meet the psychology of the general public. Thereby the standard of investment quality of the low-priced stock has been raised. In other words, all stocks no longer deserve the odious description "cats and dogs" simple because their prices may be low.

In the low-priced category there are now stocks of every grade and condition, many of which are quite as meritorious from the investment or speculative viewpoints as their high-priced contemporaries. This is essentially the day of the small investor. He may now secure nearly as wide diversification among the lower-priced issues as can the larger security buyer among the high-priced types. If his bent be toward the speculative, there are several stocks which afford relatively large yields and hold out promise of price appreciation by virtue of prospects for increased dividends. If it be toward investments strictly, there are also several sound low-priced issues which are either proof against wide market movements or promising as long range holdings for income and eventual dividend increases.

In the following sketches, ten such stocks are described and their merits from each particular standpoint are specifically outlined.

CALIFORNIA PETROLEUM

Price, 32
Div., $2
Yield, 6.3%

California Petroleum Corp., through acquisition in 1925 of Ventura Consolidated Oil Fields and Mohawk Oil Co., added further strength to its already favorable position on the Pacific Coast. Besides adding production and refining capacity, control of these companies has opened up a retail market having contact with 1,900 filling stations. With the enlarged organization functioning on a highly efficient basis, crude oil production is at present averaging 45,000 barrels daily, and gasoline output, per day, is about 250,000 gallons.

Recent negotiations looking toward merger of this company with Texas Co. were understood to have reached the final stage, and announcement of terms were looked for, when the deal was abruptly declared off. Subsequently, California Petroleum and Union Oil Co. of California have been put forward as a possible new combination in the industry. No official confirmation has been forthcoming, although there would seem to be a logical basis for discussion along these lines.

In the meantime, California Petroleum appears well able to hold its own, both from an operating and earnings standpoint. Capitalization is represented by 7.12 millions of funded debt, and 1,799,005 shares of $25 par value capital stock. Net earnings for the year 1925 were equal to about $3.25 per share of stock, and for years the company has not failed to report a satisfactory balance available for dividends, even under adverse conditions in the industry as a whole.

As of Dec. 31, 1925, ratio of current assets to current liabilities was better than 3.8 to 1, net working capital amounting to over 10 millions. On the whole, much has been accomplished in recent months along the lines of stabilization in the oil industry, and the outlook seems favorable to firmly established companies. *California Petroleum stock, while more or less speculative, appears to have interesting possibilities for a reasonably long pull.*

AMERICAN BANK NOTE

Price, 41
Div., $1.60
Yield, 3.9%

By virtue of high class workmanship and an equally high type of service to its customers, this company has attained a dominating position in its field. While it may scarcely be termed a monopoly, American Bank Note has certainly reached a position which sets it apart from competitors. To a degree, the high quality of its output has interfered with foreign business since the depreciation in foreign currencies has prevented many European governments and banking institutions from ordering bank notes to the same extent as formerly. This falling off in foreign business, to an extent, is reflected in last year's earnings of $2.68 a share for the 4.94 million dollars of $10 par value common compared with $3.38 a share in 1924.

American Bank Note does a great deal of business with South American countries, however, and also in the Far East. The slack in European sales, therefore, is not material. Moreover, the company obtains the lion's share of domestic business in commercial paper and security engravings because of high-grade materials and safeguards employed and the service this largest of engraving companies is able to render.

The growing distribution of securities and increasing interest in them among investors is mirrored in the steady expansion of New York Stock Exchange listings. This growth, obviously, redounds to the advantage of American Bank Note and suggests a continuation of past progress. Dividends for the common have been paid continuously since organization in 1906 and on an ascending scale.

While the current yield obtainable from commitments in the common is low, the patient holder may well anticipate a more liberal return in the course of time as the natural result of normal expansion. *In other words, the shares are essentially desirable for long-range semi-investment and hence suited to the investor who may forego*

a liberal yield in anticipation of rewards in the future.

INTERTYPE CORP'N

Price, 22
Div., $1.50
Yield, 6.8%

Although a much smaller company, Intertype is the only rival of the Mergenthaler Linotype Co. Like the older concern, it manufactures line-casting type machines which have made possible the speedy dissemination of news by modern newspapers and the rapid production of type through typewriter action.

The original organization, formed in 1911, got into financial difficulties culminating in receivership. Intertype Corp., the present company, succeeded to the reorganized business in 1916. Results accomplished by the existing corporation have been satisfactory, progress being relatively rapid in more recent years.

Operations during the last decade were uniformly profitable, though rather variable, as indicated by the fact that net income increased from a minimum of $190,420 in 1917 to a maximum of 1.32 millions in 1922. In terms of present capitalization, the last named figure is equivalent to $5.07 a share for the 199,141 shares of no par common outstanding. Earnings in the last three years have averaged $4.05 a share, being equal to $3.77 last year. Expenses in 1925, however, were somewhat larger than usual owing to outlays made in developing foreign business.

The company's financial structure is sound and accounting policies conservative as shown by the fact, that, while 1.32 millions have been expended on additions and betterments during the past ten years, 1.60 millions have been charged off through depreciation reserves. Patterns and patents, though valuable, are carried at the nominal value of $1. Current assets at the close of 1925 were 6.85 millions, while current liabilities amounted to but $715,665, a ratio of more than 9 to 1.

The common stock is preceded by $750,000 funded debt and 1.18 millions of preferred stock. The junior issue received extra dividends of 50 cents a share in 1925 in addition to the regular $1. It is evident that this rate is well protected and there is a probability that the common will eventually be placed upon a regular $2 dividend basis although the usual semi-annual extra dividend of 25 cents was declared in February. *The shares, accordingly, have good prospects for moderate price appreciation and meanwhile yield a fairly attractive return on the basis of current dividends.*

P. LORILLARD CO.

Price, 38
Div., $3
Yield, 7.9%

Alone among the leading tobacco manufactures, Lorillard has not kept its "place in the sun" in recent years. While its brother companies, offspring of the dissolved "American Tobacco Trust," have consistently registered increasing earnings each year in conformity with the growth of the industry, Lorillard in 1922 and 1923 earned its dividend by a none too comfortable margin.

This retrogression, apparently, has been due to two factors; first to the tendency toward contraction in consumption of smoking and plug tobaccos, and second, to the company's lack of a popular, low-priced brand of cigarettes, comparable with "Camel," "Chesterfield" or "Fatima." Manifestly, the rapid increase in consumption of cigarettes year by year has been the foundation of tobacco company prosperity, but the high-priced and Turkish varieties do not seem to have benefited from this expanding demand in proportion to the gain in the cheaper types.

Last year, however, Lorillard made a better showing which may be attributed, at least in part, to better conditions in the cigar industry. The introduction of labor-saving machinery, improvement in quality, and lower taxes are all factors that have helped restore profits to the larger cigar manufacturers. In the case of Lorillard, extensive advertising, especially of its "Muriel" brand, has doubtless aided a recovery in earnings.

Rumors have been current indicating the possibility that the company would soon market a popular-priced blended domestic cigarette to meet the prevailing trend of the industry. No official confirmation of this rumor is forthcoming. Meanwhile, the recovery in the cigar branch of the business indicates that Lorillard has probably reached the low point in earnings. Financial position remains very strong, current assets being more than 24 times current liabilities.

Net profits in 1925 were equivalent to $3.77 a share compared with $3.64 in 1924. The current dividend seems secure and since the probabilities are that earnings will henceforth show further recovery, the common shares are in a promising speculative position.

WRIGHT AERONAUTICAL

Price, 30
Div., $1
Yield, 3.3%

The outstanding features in regard to this company are its strong asset position and its future possibilities in the event of a marked expansion in commercial aviation which might logically be expected.

Wright has concentrated largely on the manufacture of airplane motors and parts. No serious competition has developed due to the limited demand since the war. Naturally, increasing activity in the industry would give rise to competition, but the long experience of this company in the field would, without much question, give it a decided advantage over less seasoned enterprises.

The inadequacy of our aircraft laws has prevented any genuine attempts at

(*Please turn to page* 258)

Ten Attractive Low Priced Stocks Compared

Issue	Par Value	Recent Price	Div. Rate	Yield %	Earned $ Per Share 1921	1922	1923	1924	1925
Amer. Bank Note	$10	41	$1.6	3.8	$3.33	$3.55	$3.71	$3.84	$2.99
California Petroleum	25	32	2.0	6.3	2.41	3.25	5.14	2.47	3.26
Gen'l Electric Special	10	11	0.6	5.6	*	30.17	30.65	19.69	10.82
Hudson & Manhattan	100	38	2.5	6.6	0.17	1.43	2.74	3.33	3.49
Intertype Corporation	None	22	†1.5	6.8	1.33	5.07	4.69	3.70	3.77
P. Lorillard Co.	25	38	3.0	7.9	4.60	5.03	3.50	3.64	3.77
Magma Copper	None	36	3.0	8.3	def.	def.	def.	2.20	2.34
Sun Oil	None	32	‡1.0	3.3	def.	7.65	4.83	6.64	3.48
Tidewater Oil	None	24	¶1.2	5.0	def.	0.91	0.85	1.17	2.39
Wright Aeronautical	None	28	1.0	3.6	2.66	2.33	1.31	1.70	2.85

*None issued. †Including extras. ‡Also pays 3% in stock.
¶Rate at which company intends to pay dividends; payments not yet inaugurated.

Radio Corp. of America

Unsnarling the Radio Tangle

Elimination of Weaker Companies Finds Radio Corp. In Strong Position—Speculative Appeal of Common Stock

By JEROME CARTER

Radio Corp. of America

Bonds—None | Preferred—7% Cum.—395,597 sh. $50 Par | Common—1,155,400 sh. No Par

	1921	1922	1923	1924	1925
Sales (mil.)...................	1.5	11.3	22.5	50.7	46.3
Inc. from Communication (mil.)	2.1	2.9	3.2	3.3	3.4
Inc. from Marine Serv. (thous.)..	553	630	738	742	735
Oper. Inc. (mil.)..............	0.4	2.7	4.6	9.0	5.0
Net Inc. after Reserves (mil.)...	..	..	3.0	3.4	2.9
Earned on Com................	..	..	1.40‡	$2.90‡	$1.27
Working Cap. (mil.)...........	4.0	6.0	8.0	15.4	17.6
Patents, etc. less Reserves (mil.)	15.2	14.7	15.0	13.9	11.0

‡Based on present capitalization.

SELDOM has there been witnessed such phenomenal growth within a short space of time as that experienced by our premier radio enterprise up until the early part of 1925. This splendid record cannot help but inspire a certain measure of gratification even in those who have no direct interest in the undertaking, owing to the unusual conditions surrounding its origin. Radio Corporation of America was organized in 1919 by private capital, but at the express wish of the United States government, in order that commercial radio communication might be assured of strictly American control.

The fact that the gross income derived from international communication has become almost a drop in the bucket beside the volume of radio broadcasting sales does not detract from the fundamental importance of the former, and its proper development and expansion have by no means been neglected. Regular communication is established with nine European countries and four Transpacific territories including a new circuit to the Dutch East Indies which by means of a relay at New York provides a through route from that point to Holland. Plans are under way to erect stations in the Philippines, China, and South America, the last in the near future.

The increasing importance of this service is indicated by the action of the cable companies in reducing rates, but despite this, trans-oceanic communication was the only department of Radio Corporation which showed an increase in 1925 over 1924. No pains have been spared to maintain the international circuits and the marine coastal stations, the third major department of the business, at a high point of efficiency and technical perfection. There are six marine coastal stations, the one at Chatham, Mass., being the most powerful in the world. Radio ship equipment and accessories are developed and sold, and various forms of service are rendered, including a nightly comprehensive news service, and a free medical service by radio to those ships lacking their own medical personnel.

The two branches of the business just discussed provide a back log for the more spectacular and much larger, but at the same time much less stable business in the sale of radio broadcasting apparatus. Sales after increasing nearly 3500% between 1921 and the end of 1924 and gaining 100% or more each year, for the first time showed a decline in 1925 to the extent of 4.5 millions.

The reason for this interruption in the trend is quite obvious. There are no grounds for believing that a saturation point in radio demand has been reached. It is true that the ratio of increase will necessarily be slower, but there are still well over 15 million families in the country without a radio, out of a total of approximately 25 million, and this potential demand, together with the constant flow of replacements, should provide plenty of room for expansion in the industry for many years to come. There is little question that Radio Corporation, with its powerful financial and trade position and its appeal through a diversified line of products to all classes of purchasers, will reap at least its share of the available business.

Overproduction

The disappointing showing in 1925 is due not to saturation but as everybody knows to overproduction on the part of the great mass of weakly financed companies rather than by Radio Corporation. Indeed, the chaos in the industry would have been far worse if it had not been for the leading company's refusal to lend itself to indiscriminate price cutting. When the prices of old models had to be cut upon the introduction of its new lines, Radio followed the policy of protecting its dealers against undue loss through trade adjustments, although this was accomplished only at a loss to the corporation of 4 million dollars.

Radio Corporation has consistently conducted its affairs from the long range viewpoint. It might be mentioned at this point that the company is not a manufacturer but operates under exclusive licenses to use and sell radio apparatus manufactured by General Electric and Westinghouse Electric, in addition to owning the rights to radio patents and inventions of these and certain other organizations. The company has had the benefit of the supervision and long experience of executives identified with those two great electrical enterprises, General Electric having been primarily responsible for its formation in 1919. Its far-seeing policy has been evidenced in various ways. Reference has already been made to the determination to work for stabilization even though a sacrifice of

immediate profits is entailed. Then again there is the well known decision of the management to postpone common dividends until such time in the future as there has been an opportunity to replace intangible with tangible assets. Furthermore, it is the only large company which has devoted the greater part of its time to the development of radio receivers employing the loop aerial rather than the more numerous outdoor aerial. The loop is so preferable as regards simplicity and selectivity that it might well be looked on as the logical choice of the future.

The action of the stock has been almost as spectacular as the career of the company. The old common from 1919 to 1924 fluctuated between 1⅛ and 6¼ on the New York Curb.

The new common advanced from a low of 25⅞ in 1924 to a high of 77⅞ in the bull market of last year, but such a level could not be maintained in face of existing conditions in the radio industry and in the stock market, and the shares dropped back to 32 last March.

A considerable rebound of late from that point has revived speculative interest. The advance cannot be attributed altogether to a good first quarter. It is true that first quarter earnings of $1.24 per share were almost as large as the entire net result in 1925, but at the same time they ran somewhat behind the figures for the corresponding period last year, and the first three months are always seasonally favorable. Sales on the other hand were well above last year.

The immediate impulse to a market advance, however, would seem to have been furnished by the announcement that a daily international picturegram service had been inaugurated in conjunction with Marconi Wireless Ltd. of England. This process has been under development for some time past, and its actual commercialization serves to focus attention on the almost limitless ramifications of the radio industry as yet unexplored.

Radio Corporation stands to benefit from the revival of the phonograph industry. Not only have contracts for combination instruments been consummated with Victor and Brunswick, but the company has developed an electrical sound amplifying device in use by these two leading phonograph concerns. A source of additional income is thus provided from an industry which in the very nature of it is highly competitive.

The radio outlook for 1926 cannot be said to indicate altogether satisfactory profits. Deflation has been too drastic to permit that. With the numerous receiverships, and the consequent elimination of weaker units and reduction of surplus producing capacity, the situation is tending toward a sounder basis. *The future career of Radio Corporation of America is still such as to appeal to the imagination in a high degree, and the common stock, while offering no assurance of early profits, has a good chance of providing ample rewards to the long range holder.*

Preferred Stock Guide

These stocks are selected as offering the best opportunities in their respective classes, taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§5 Yr. Price Range High	§5 Yr. Price Range Low	Recent Price	Yield %
Baltimore & Ohio	4 (N)	F4.75	No	67	47	69	5.8
Chicago & Northwestern	7 (N)	...	No	125	95	124	5.6
Chesapeake & Ohio Conv	6.5 (C)	F14.8	115	F130	F96	124	5.2
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	H98	H86	99	6.1
Colorado & Southern 1st	4 (N)	7.5	100	66	47	67	6.0
PUBLIC UTILITIES							
Columbia Gas & Electric	7 (C)	T6.1	115	T114	T103	113	6.2
North American	3 (C)	6.1	52.50	50	31	50	6.0
Philadelphia Company	3 (C)	6.5	No	49	30	49	6.1
Public Service New Jersey	8 (C)	3.4	No	F119	F95	120	6.7
INDUSTRIALS							
American Smelting & Ref	7 (C)	2.4	No	115	63	117	6.0
American Steel Foundries	7 (C)	6.6	110	113	78	114	6.1
Armour & Co. of Del	7 (C)	2.3	110	H100	H84	92	7.6
Associated Dry Goods 1st	6 (C)	3.9	No	102	55	99	6.1
Baldwin Locomotive	7 (C)	2.6	125	117	95	109	6.4
Brown Shoe	7 (C)	F4.4	120	109	70	108	6.5
Cluett, Peabody	7 (C)	3.7	S125	110	79	111	6.3
Endicott Johnson	7 (C)	4.8	125	119	87	117	6.0
General Motors	7 (C)	F13.9	125	115	63	118	5.9
Studebaker Corp.	7 (C)	25.0	125	125	83	119	5.9

For Income and Profit

SOUND INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§5 Yr. Price Range High	§5 Yr. Price Range Low	Recent Price	Yield %
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	62	6.5
Kansas City Southern	4 (N)	2.7	No	59	45	63	6.4
Pere Marquette Prior	5 (C)	8.5	100	85	50	86	5.8
St. Louis-San Francisco	6 (N)	9.1	100	92	28	90	6.7
Bangor & Aroostook	7 (C)	2.5	110	F100	F86	100	7.0
PUBLIC UTILITIES							
American Water Works & El	7 (C)	4.1	110	103	48	103	6.8
Federal Light & Traction	6 (C)	5.0	110	T89	T74	87	6.9
Kansas City Pr. & Lt	7 (C)	T3.1	115	H109	H91	110	6.4
Hudson & Manhattan R. R. Conv.	5 (N)	4.5	No	F72	F25	73	6.9
West Penn Electric	7 (C)	..	115	O100	O96	98	7.1
INDUSTRIALS							
Allis-Chalmers	7 (C)	2.4	110	109	67	110	6.4
American Syanamid	6 (C)	3.1	120	96	52	89	6.7
Bush Terminal Buildings	7 (C)	1.1	120	103	87	102	6.9
Commercial Credit 1st	6.5 (C)	..	110	N99	N92	91	7.1
Cuban American Sugar	7 (C)	F8.2	No	106	68	104	6.7
Famous Players Conv	8 (C)	6.7	120	120	74	122	6.5
Genl. American Tank Car	7 (C)	3.1	110	F104	F86	102	6.9
Gimbel Brothers	7 (C)	4.3	115	F114	F95	106	6.6
Goodrich (B. F.) Co.	7 (C)	F2.7	125	102	62	98	7.1
Loose Wiles 1st	7 (C)	3.3	120	112	93	116	6.0
Reid Ice Cream	7 (C)	T6.9	110	O100	O92	99	7.1
U. S. Cast Iron Pipe	7 (N)	3.7	No	113	38	104	6.7
U. S. Industrial Alcohol	7 (C)	4.3	125	115	84	101	6.9

SEMI-SPECULATIVE

PUBLIC UTILITIES	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§5 Yr. Price Range High	§5 Yr. Price Range Low	Recent Price	Yield %
Brooklyn-Manhattan Transit	J6 (C)	T3.0	100	83	34	88	7.2
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	N89	N80	92	7.6
Consolidated Cigar	7 (C)	2.5	110	98	53	100	7.0
Dodge Bros.	7 (C)	..	105	O91	O73	82	8.5
International Paper	7 (C)	1.6	115	N99	N86	91	7.7
Mid-Continent Petroleum	7 (C)	F1.6	120	F109	F80	100	7.0
Orpheum Circuit Conv	8 (C)	2.6	110	F107	F84	104	7.7
Pure Oil Co.	8 (C)	4.2	No	F108	F82	107	7.5
Radio Corp. of America	3.5 (C)	3.4	55	54	45	47	7.4
Warren Bros. 2nd	3.5 (C)	15.5	No	45	16	44	7.9

SPECULATIVE

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§5 Yr. Price Range High	§5 Yr. Price Range Low	Recent Price	Yield %
Chicago, Rock Island & Pac	7 (†)	F1.6	105	105	68	100	7.0
Gulf, Mobile & Northern	6 (C)	1.2	No	99	15	100	6.0
Wabash "A"	5 (N)	..	110	73	18	73	6.9
Western Pacific	*6 (C)	F0.9	105	86	51	80	7.5
INDUSTRIALS							
First National Pictures 1st	‡8 (C)	T4.7	115	N110	N100	96	‡
Goodyear Tire & Rubber	7 (C)	1.7	S110	H114	H35	100	7.0
Remington Typewriter 2nd	8 (C)	3.3	No	113	47	108	7.4
Willys Overland	7 (C)	..	110	123	23	95	7.4

* Cumulative to extent of 2 yrs. divs. † Cumulative up to 5%. ‡ Participates in excess earnings; paid $1.44 extra in March. J—After July 1, 1926. F—Four years. H—Three years. T—Two years. S—For sinking fund. N—Price range 1926. O—Price range 1925. § 1921-1925.

Save While the "Going is Good"

WE hear so much about the "difficulties" and "hardships" of saving that one is apt to become discouraged before starting on the Road to Financial Independence. Granting that the accumulation of wealth is a serious "man-sized job," still some ways of accomplishing the task are easier than others and the easiest way is often the best way.

A famous sociologist has put it a little differently. He said: "civilization has advanced by following the lines of least resistance." Thus we make tractors because it is easier to plow the fields with machinery. We build trains so that we can travel with greater speed and comfort. An electric light switch floods our homes with light. Always the easiest way!

A savings program might well be planned with the same aim of doing it best by following the lines of least resistance. It is easier to save ten dollars a week from an income of a hundred dollars than from an income of fifty. Consistent accumulation of wealth is possible when employment is steady and wages are high.

Irrespective of stock market disturbances and some of the gloomy aspects of business conditions that frequently come to our attention, from the viewpoint of the much discussed "average man" the opportunity for saving at the present time is substantially above average. Corporate earnings are satisfactory; extra dividends are frequent; employment is good, and wages on the average are still high. This is the time to corral those extra dollars that might be more difficult to put aside under less favorable circumstances. There is no lasting advantage in having more dollars pass through your hands; more coming in and more going out. While you have the opportunity, put some aside in the bank or in safe investments, thus following the line of least resistance.

Take a tip from any well managed corporation. When conditions in the steel industry are such that the greatest opportunities for business are open, every steel company speeds up its production—exerts itself to the utmost, not merely to have an extra amount of dollars passing through the treasurer's office but to retain an extra amount in surplus for future needs. Corporations which adhere to this policy are the ones that usually pay a good return to their shareholders during the good years and the lean years as well. Investors who follow this policy are the ones who most surely reach the goal of Financial Independence.

Buying Bonds For Profit

A Reader Describes How He Has Employed This Lucrative Method to His Advantage

By S. T. Van H.

I FEEL sure that I was one of the most vitally interested readers of the article on "Making 42% Profit In Bonds" that appeared in the April 24th issue of THE MAGAZINE OF WALL STREET because I have been employing a similar method, with less spectacular results but with a great deal of personal satisfaction and a commensurate profit. The only essential point wherein my method differs from the plan described in the recent issue of your magazine is that I purchased all my bonds outright. However, my purpose in buying bonds was slightly different than the aim which motivated the author of the previous article, and from my personal point of view I still hold that the outright purchase was more suitable even though the ultimate return is correspondingly smaller.

The accompanying table records all of my transactions up to date (May 15) but before discussing the bonds, let me state how I came to chose my investments from the bond list and my purpose in buying these issues. Toward the close of the past year, I decided that there were too many undefinable influences affecting the trend of the stock market. Although I fully appreciated the numerous money making opportunities that still existed among the better grade stocks, I finally made up my mind to liquidate my stock holdings. For the past several years, I have maintained a speculative long position in stocks which were always purchased outright but primarily with the view of making an ultimate profit.

When I turned to the bond market about five months ago, it was with a somewhat different purpose in mind. My first consideration was to find a safe means of employment for the funds realized in the sale of stock holdings. Realizing that possibly the bonds to be purchased might be retained over a fairly long period, I carefully considered the income return on the investment. This return, I calculated solely on the purchase price and not the actual yield to maturity because of the very strong likelihood that none of the bonds would be held to their maturity date. Of all the bonds purchased to date, the current yield averages a little more than 6% which is highly satisfactory from the income standpoint.

To say that my bond buying was for investment in the strictest sense of the word, however, would not be entirely accurate. I selected bonds that I considered undervalued. I bought in a rising bond market. In the back of my mind I hoped to sell my bonds at a profit over a reasonable period of time. In satisfying myself of the investment merits of the issues under consideration I also studied values. One of the attractive features of the bond market, as a profit-making proposition, is the fact that values are determined almost exclusively by known facts. Except for the extremely speculative bond issues, pools seldom operate in the bond market. When a bond is well bought, one can be fairly sure that those who are in close touch with the affairs of the corporation are doing the buying and not the general public.

When a contemplated bond met the requisites touched upon above, I studied its technical position. The range of price fluctuations over a period of six months to a year was carefully checked up as was the normal volume of transactions. By studying the affairs of the corporation of issue previously, I had already gotten a fairly good idea whether or not the investment desirability of the bond under consideration was likely to increase in the near future. When I noted a distinct price advance on a larger volume of transactions, I felt that my optimism in this regard was being confirmed because bond buying is more than likely to originate from sources "in the know."

Bond buyers seldom make quite as intensive study of their contemplated investments, but for my purpose, namely of selling at a profit when the opportunity presented itself, it seemed to me quite important. Also I confess, that aside from the mercenary consideration of possibly realizing an extra return over and above straight bond interest, I have always given the security markets a certain amount of attention, and now I merely transferred my interest from stock values to bond values.

Whether I have been adequately compensated for my efforts or not, you can

(*Please turn to page* 290)

How I Stood on May 15, 1926

Name of Bond	Price Paid	When Purchased	Present Price or Price Received	Straight Yield %	Will sell at around these prices, if reached
International Tel. & Tel. 5½s, '45	107½	Dec., 1925	*115	5.1	...
Granby Consol. convt. 7s, 1930	102½	Dec., 1925	*107	6.8	...
Bklyn.-Man.-Trans. 6s, '68	92¼	Jan., 1926	97	6.5	102
Great Northern 7s, 1936	110¼	Jan., 1926	114	6.4	117
Atlantic & Danville 1st 4s, '48	77	March, 1926	82	5.2	85
Missouri Pacific Gen. 4s, 1975	66	March, 1926	73	6.0	75
Anaconda convt. 7s, 1938	104	March, 1926	106	6.7	115

*Indicates price received on actual sale; balance are present prices.

The Advantages of Income-Building Through Investments in Securities

The Fourth of a Series of Articles Covering Four Major Investment Fields

By the Editor of
The Building Your Future Income Department

THE motive behind every investment is to obtain an income either in the form of interest, dividends or increment in the value of the principal. To obtain this income, however, it is necessary to find some means of employing funds in useful channels. Money itself is no creator of wealth when lying idle. The philosophy of investment in its simplest terms is often expressed in the endeavor to "put your dollars to work."

Some men have the opportunity of employing at least a part of their funds in their own business. This is the most direct means of using money to advantage and is frequently the most profitable. Although the ordinary business risks are large, especially in a small business; the attendant profit is also large and on the average will usually offset losses which may be incurred, leaving the business man a net income over and above his business expenses. The desirable feature of employing funds in one's own business is the fact that the use of the money is constantly under the personal supervision of the investor.

However, there are many men and women who do not have the opportunity of investing in their own business and others who have more funds than can profitably be employed in this direct method. A business investment requires constant attention and a management responsibility that is undesirable from the viewpoint of many individuals. In the aggregate, such "surplus funds," represent the nation's investment budget which yearly runs into the billions of dollars. Again considering the individual viewpoint, surplus funds that cannot be profitably employed through a direct business investment are "rented out" to those who have an income producing use for the money. Terms are arranged, records must be kept and after centuries of this practice, every civilized nation has developed its own highly developed facilities for safeguarding, recording and negotiating transactions of this special character.

The investment security is a direct medium of putting money to work where it will earn an income. Money has one of the characteristics of a commodity—the fewer people that handle it, the smaller the cost. In the investment sense, the most direct channel, that you select for placing your funds in profitable employment, gives you the largest return.

However, as many people are not prepared, or have no opportunity to invest in their own business, small investors are apt to feel that they have insufficient knowledge or experience with investment securities to select this direct medium of investing their funds. This class of investor naturally turns to such financial institutions, like the savings banks to invest funds for them, accepting a smaller return on the investment for this consideration. Financial institutions with this field to serve, in turn select investment securities for the employment of the major part of their resources.

The advantages of a security investment are largely represented in the desirability of handling one's own funds as directly as possible but, more specificially, these advantages might be classified in the following order:

First.—As opposed to an investment in one's own business, an investment in a security may be converted into cash at a value easily determined and without delay. The usual requirements of a business enterprise are such that the funds originally invested cannot be withdrawn upon demand either in whole or in part without preventing the business from going ahead on a normal basis. For this reason most business men maintain a strong reserve of private investments in securities. In addition to having this capital to draw upon in case of need, the diversification of one's interests is a definite advantage, providing greater security and more assurance of continuity of income.

Building Your Future Income

Second.—As opposed to the less direct mediums of investment previously referred to, the income obtainable from investment securities is characteristically higher. When, the form of the security is shares of participation in the profits (or in other words, stocks) net income earned by the corporation selected is the property of the holder of the security whether paid out in dividends or retained as surplus or reserves.

Third.—An advantage of the investment security, that is virtually exclusive is the direct and ownership control which the investor exercises over his funds by placing them in securities. The pride of ownership and the personal preference of many investors to the supervision of their own money affairs, while a generalization, is another argument in favor of securities. To be more specific, however, this enables you to withdraw your interest in the corporation selected at a time when you consider it most profitable or when its securities command a premium. One can readily replace securities when they are no longer exactly suited for your individual needs. The range of choice enables you to concentrate your funds in the particular industry which you believe to have the strongest earning position and the corporation which is most favorably situated within this industry. The more thought and attention that the investor gives to his investment, the greater are his opportunities to acquire offerings of undervalued investments. None of these advantages are obtainable, of course, if personal control of your investment funds is relinquished.

Fourth.—The secret of investment success lies to a large degree in the selection of the kind of securities that best suit the individual requirements of the investor. It is an axiom in the investment business that the rate of return varies inversely with the degree of risk. Therefore, as the investor seeks a higher return he departs in some measure from the highest factor of safety. Moreover, individual requirements differ; some investors need a very high factor of security while others are best suited by a larger-income-bearing issue. The wide field of investment securities or the so-called semi-investment issues enables the security buyer to obtain the exact degree of safety, income, marketability, enhancement possibilities and other factors that fit in with his personal requirements. Other investment mediums have a much more limited field of choice—usually offering a fixed income that is somewhat lower than the majority of investors require.

Fifth.—The better class of investment securities have a well recognized loan value. The advantage of this loan (or collateral value) is usually most appreciated when the investor has sudden need for cash without wishing to lose a good investment position. Another point worthy of mention in regard to the loan value of securities is that it enables an investor to obtain ownership of a security without advancing the full cash value. This is known as the practice of buying securities "on margin" or from the investment point of view the accumulation of investments on the partial payment plan. The fact that many securities pay a higher rate of return than the "bank rate" on collateral loans frequently make it desirable to raise funds from this source.

After a review of these specific advantages of securities as the most direct medium of placing idle funds at work where they will earn an income the question may arise, "What personal equipment in the way of knowledge and training is necessary for investment in securities?"

Investment securities have, in a sense, been "popularized" during the past decade, largely by making it possible for the inexperienced investor of modest means to participate on the same basis in investment offerings as the wealthy investor. Almost every large investment banking institution now has an efficiently equipped service department through which the small investor can obtain valuable advice and information. By dealing with a reliable institution and by exercising ordinary common sense and discrimination, almost any one with a few thousand dollars or more can find plenty of opportunities to invest his funds in good investment securities so as to share in the prosperity of our great industries.

The investment security, directly or indirectly, is the universal medium of employment of the surplus wealth and savings of the nation.

Florence Provost Clarendon

Group Life Insurance An Appreciation of Service

Many Advantages of This Growing Field of Insurance for Employer and Employee

By FLORENCE PROVOST CLARENDON

IT has been said that Group Insurance is the one welfare plan that is effective to the last man. While athletic fields, rest rooms, and vacation camps may only benefit certain members of the force, Group Insurance establishes a bond between employer and employee which draws each one into personal contact, because of the sacred responsibility to protect dependents—a duty which is common to employer and employee alike in the family life.

Group Insurance originated in the early years of 1900, and while some groups were placed during the next few years, the first group policy of any importance was issued in 1910. Since that time, the number of employers who have extended this protection to their employees has steadily grown. Nearly 3,000,000 employees throughout this country are now covered by Group Insurance, according to statistics collated by The Association of Life Insurance Presidents, with an average amount of $1,400 on each life, thus bringing the total coverage under the group plan up to approximately $4,200,000,000.

The basic principles of Group Insurance are the same as those underlying ordinary coverage on individual lives. Medical examination is usually dispensed with under the group plan, although in certain states where the law requires it a nominal medical inspection is made of group members. As it is the *group*, however, and not the individual employee, which is selected for this protection, the insuring companies have considered that detailed medical examination is not necessary. The waiving of this requirement is one of the most important and attractive features of Group Life Insurance. There would doubtless be in each large group a certain number of unhealthy lives—men who might not in other circumstances be considered as insurable; but in a group of employees under a common employer it may be assumed that *as a whole* they will experience an average rate of mortality from year to year. Anyhow the insurance companies are willing to take this chance.

The accepted definition of Group Insurance as adopted by a majority of the states is life insurance covering *not less than fifty employees under one employer*, written under a policy issued to the employer, the premium on which is paid by the employer, or by the employer and the employees jointly. The object in fixing the number of employees in any one group to not less than fifty is to insure that this blanket coverage will be large enough to give an average mortality experience. All new eligible employees as they enter the service automatically come in under the group insurance privileges.

Under Group Insurance a "Master Policy" is issued to the employer for the employees. The contract is between the insurance company and the employer, who is the nominal "policyholder." Each participating employee under this Group Policy receives a certificate which states the amount of insurance carried by the individual and the name of his designated beneficiary. This certificate also gives information regarding policy privileges and benefits, and specifies the right of the employee to continue the insurance on a permanent plan without medical examination in event of his terminating his present employment.

Insurance legislation in a number of states has ruled that the proceeds of life insurance under Group Policies shall be exempt from payment of debt of employee or beneficiary, and shall not constitute part of the estate of the employee for payment of his debts. Thus the proceeds of this group policy are reserved solely for the protection of the employee's family when death finally calls him Home.

Group Insurance is almost invariably written on the One Year Renewable

BYFI Recommends

	Approx. Price	Yield
Bonds with a high factor of safety, ready marketability and good collateral value:		
N. Y. Telephone Co. ref. 6s Ser. "A" '41	108	5.2%
Del. & Hudson 15-year 5½s '37	105	5.1
Bethlehem Steel 1st guar. 5s '42	100	5.0
N. Y. Cent. & Hud. River deb. 4s '34	96	4.6
Bonds with a good factor of safety, fair income, good marketability and collateral value:		
American Sugar Ref., 15-year ref. 6s '37	104	5.5
Anaconda Copper 1st 6s '53	103	5.8
Cuba Railroad 1st 5s '52	93	5.5
U. S. Rubber 1st 5s '47	94	5.5
Preferred stocks with ample security, a liberal income return and some possibility of enhancement in value:		
Brooklyn-Manhattan Transit Pfd. ($6)	84	7.1
U. S. Smelting & Refining preferred ($3½)	49	7.2
Schulte Retail Stores preferred ($8)	117	6.9
Willys-Overland preferred ($7)	95	7.3

Note: Famous Players Pfd., originally recommended at 115 has been removed from above list and substituted by Brooklyn-Manhattan Tr. Pfd.

Group Insurance Rates

Attained Age	Annual Premium
20	$5.87
25	6.27
30	6.43
35	6.76
40	7.85
45	10.02
50	13.78
55	19.87
60	29.39
65	43.83

Term plan. This has been found to be the most advantageous plan for the Group Policy on account of its simplicity and cheapness. Moreover, adjustments of premiums on account of new entrants and withdrawals are easily made under the Renewable Term contract.

The One Year Renewable Term Policy requires a yearly increasing premium for each member of the group. In the majority of Group Policies, however, this increasing premium rate does not affect the employee, because in those cases where the employer and the employee pay jointly towards the premium cost, it is practically always arranged that that portion paid by the employee shall not increase, but shall remain at a fixed stated amount unaffected by change of age.

Cost of Premium

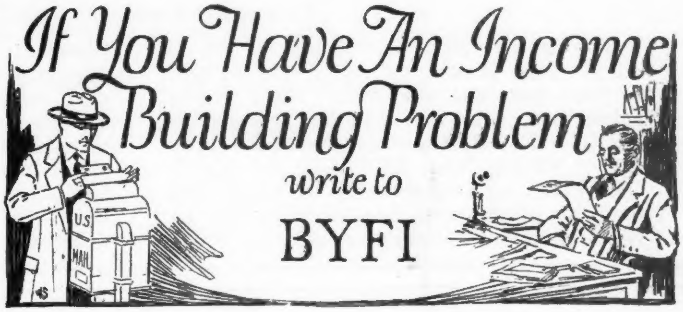
The premium cost of Group Life Insurance is the same under both participating and non-participating plans. The Disability Benefit, operative up to age 60, is usually included in the coverage. The accompanying schedule will give an idea of the rates which obtain under the usual Group Policy—written on the One Year Term plan—per $1,000 insurance.

The usual Group Policy contract provides that at the end of each year after date of issue a reduction in the scale of premium rates will be effected by the insuring company if the mortality experience of the group warrants this reduction.

Plan of Payment

The more satisfactory plan of premium payment has been found to be that under which the entire expense of the Group Insurance is borne by the employer. One reason is that the employer frequently will install Group

(*Please turn to page* 250)



Information on Home Plans

Dear BYFI:

The columns of the BYFI Department mentioned several organizations where home building plans for small houses may be obtained. Can you give me the names and addresses of the proper people to write to for further information in regard to such plans?—S. D. F., Hartford, Conn.

Two organizations, recently referred to in these columns which have home plans available at a small cost, are the Architects Small House Service Bureau, 250 Park Avenue, N. Y. City; and the Service Department, R. R. Cooperative Building & Loan Asso., 441 Lexington Avenue, N. Y. City. In writing for information, please mention THE MAGAZINE OF WALL STREET.

Wanted—An Investment Policy

Dear BYFI:

I am holding from 25 to 50 shares each of six listed stocks, some of which were bought as far back as 1919 and all of them acquired at a substantially higher price than current selling levels. Originally, I bought them on margin, but one by one have paid up the balance and now have the certificates. The income from these shares is not satisfactory—less, as a group, than I could get from some good bonds. Here is my problem: I don't expect you to predict what each stock will do so I am not even bothering to list them but I would like to have you lay down a policy for me irrespective of their market prospects. Should I start all over again and buy bonds with the money that I could get by selling the stock or do you consider (as some people appear to) that stocks are better investments in the long run than bonds?—T. R., Baltimore.

We assume that the stocks mentioned in your letter are your only investments, and, in suggesting a policy do so with this understanding. By way of sound investment policy, you should have bought bonds with your first investment money back in 1919 instead of making stocks your first investment. Having made a false start (as we assume) why not begin all over again as you indicate and build up a good reserve in conservative readily marketable bond issues? An important consideration, in your specific case, however, is the fact that by reinvestment, you would lose a part of your original principal without much opportunity of making up the loss when you buy bonds, except for further advance in bond values as the present trend suggests. To increase the likelihood of eventually making back this loss, we would suggest that you place at least a portion of your funds in convertible oil or mining bonds such as those issued by Anaconda, Granby Consolidated and Pan-American Petroleum. These issues have sound investment merit and offer enhancement possibilities through the conversion feature.

Equity Behind B. & L. Shares

Dear BYFI:

I am considering starting a savings fund with a local building and loan association but I would like to clear up one point before undertaking a twelve-year saving's program. As I understand it, the investment is made in the form of shares. Is there any margin of safety behind these shares or are they ordinary shares of common stock without further protection?—F. G. H., Brooklyn.

An investment with a building and loan association has an ample margin of protection in the owner's equity in the real property which is pledged to guarantee repayment of outstanding loans to the association, plus the security fund which building and loan associations are required by law to maintain. In other words, the association functions by placing the funds of its shareholders in first mortgages on small homes—one of the finest and soundest mediums of investment obtainable—the safety factor being further increased by the monthly amortization of every mortgage outstanding. Building and loan shares for these reasons are not comparable with stock in industrial corporations.

SERVICE SECTION

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. As a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands received and replied to in the first four months this year. The use of this personal inquiry service in conjunction with the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1 *Be brief.*
2 *Confine requests for an opinion to three securities.*
3 *Write name and address plainly.*

UNITED CIGAR STORES

I understand that United Cigar Stores Company is going to enter the real estate business on the chain store idea with branches all over the United States. Do you believe this is a wise thing to do? I am in the real estate business myself and also am a stockholder in United Cigar.—S. D. M., Newark, N. J.

Coincident with its growth as a chain store proposition, United Cigar has developed a large and what is practically a national real estate organization. While this has always been considered as more or less a side-line, its possibilities have become so evident that the company has decided to adopt a more aggressive policy. Accordingly, it has purchased a one-half interest in the Charles F. Noyes Co. which has acquired its rental and agency business. This affiliation will give United Cigar greater facilities for securing agency business, and will also provide the opportunity for further expansion of its own. On the face of things this would appear good business policy. However, while United Cigar will undoubtedly profit from this move in the long run, returns from this source lie a considerable distance ahead, and such prosperity as the company has enjoyed to date appears well discounted in the market valuation of the shares. We see no particular advantage in retaining the stock.

DU PONT

I have read in the papers that the E. I. Du Pont de Nemours Powder Company is being dissolved. Is this connected with E. I. Du Pont de Nemours & Company whose stock is on the New York Stock Exchange? If so, how will it effect my stock. I originally bought 20 shares at $125 a share. This was in 1923. I received a 40 per cent stock dividend last year.—P. E. H., Indianapolis, Ind.

Originally, the E. I. du Pont de Nemours company was a powder manufacturing concern, and the foundation of its present substantial prosperity was laid while it was engaged in this line of endeavor. It probably profited more from the world debacle of 1914 than any other American concern. However, in late years the business of manufacturing explosives has become a comparatively minor part of its activities, it now producing a diversified line, ranging from paint and chemicals to rayon, the artificial silk. Its interest in General Motors is too well known to need mention here. The powder subsidiary, having outlived its usefulness, retires from the scene. Its passing has absolutely no effect upon yourself as a stockholder in the holding company. Your foresight in purchasing this stock at the level you mention is worthy of commendation, but even now, on the basis of the company's showing to date and its visible prospects for the future, the stock appears somewhat undervalued.

U. S. RUBBER

I would be obliged for information regarding the U. S. Rubber Company. I understood that the company has its own rubber farms and is not affected by the English laws that restrict exports to this country. In that case I should think the company would make more profit and be able to pay dividends on the common stock.—F. A. S., Washington, D. C.

To a certain extent United States Rubber is less affected by the British restriction than most of its competitors. The company controls extensive plantations in the Far East, from which it procures from 20 to 25% of its crude rubber requirements. When the peak of production is reached in 1931, as is believed, the proportion will be much larger. Of course, any serious restriction placed upon rubber exports to this country would affect the earning power of the company to some degree, but the situation has not as yet reached that critical stage. The company did well indeed in 1925, earning $11.21 a share net on the common, without any allowance made for profits accruing to its plantations. It got away to a poor start in 1926, being hampered by unsatisfactory weather conditions which retarded tire distribution, but things have since turned for the better, with the result that U. S. Rubber should give a good account of itself in ensuing months. The stock at current low levels appears rather undervalued.

THE REYNOLDS SPRING CO.

What is your opinion of Reynolds Spring? In 1924 I paid $15 for my stock and could have taken a profit several times in that year and in 1925. Now I have about given up hope of getting my money back.—W. A. C., St. Louis, Mo.

The situation surrounding Reynolds Spring appears to be going from bad to worse. Its showing in 1924, when $1.13 a share on the common was earned was

(Please turn to page 264)

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

Baldwin Piano Company's First Studebaker Car traveled 72,000 miles

—it proved the higher economy of Studebaker equipment, so today this company uses Studebakers exclusively

THE first Studebaker owned by the Baldwin Piano Company, Chicago, traveled 72,000 miles "with practically no repair expense." With this experience as a foundation, the company purchased another Studebaker. And as further equipment was needed, more Studebakers were added to the fleet which now consists of eight cars—all Studebakers.

Of these eight Studebakers, one has covered 57,000 miles in two years, two others have mileages of 25,000 and 23,000 miles for just over a year's driving. Cars are used to bring prospects to the downtown store averaging 75 to 100 miles a day.

Even under city driving conditions, with continual stopping and starting, the cost of operation has been remarkably low. As the letter below shows, "Studebaker upkeep is almost negligible, only minor repairs and adjustments being needed."

Longer life, lower depreciation

Like the Baldwin Piano Company, many national concerns have found that a Studebaker car, after 25,000 miles of service, is only in its prime. Upwards of 50,000 miles is not unusual for a Studebaker. In a recent advertisement in this publication, Studebaker listed 274 owners who have each driven their Studebaker cars 100,000 miles or over. Since publishing this list, the factory has received additional reports increasing the total to 750 owners—and more reports are coming in every day.

Studebaker cars give many more years of dependable service. And though their first cost is slightly higher, this cost is spread over a longer period. As a result, the depreciation cost of Studebakers is much lower, thereby effecting important savings for fleet-owners.

Low operating cost

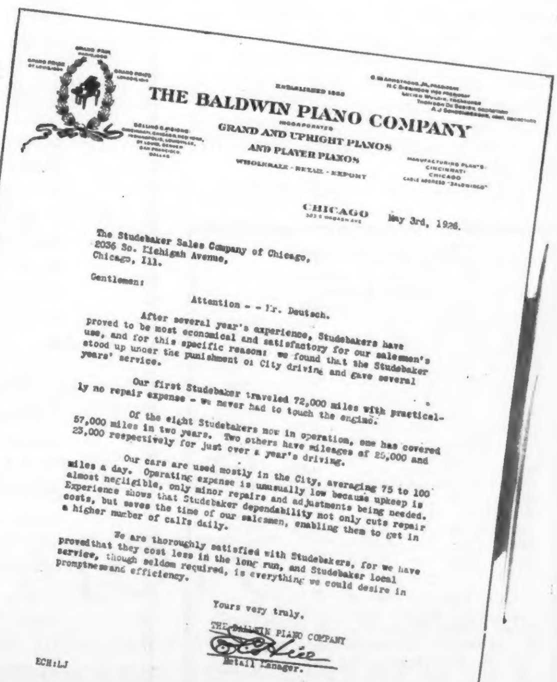
Reports from many fleet-operators show that the 6-cylinder Studebaker can be operated for practically the same cost as the ordinary 4-cylinder car, which varies from 5½ to 6 cents per mile. It is significant that Studebaker repair parts sales for 1925 averaged only $10 per car in operation.

Thus, with its low operating expense and its much lower depreciation, the One-Profit Studebaker actually costs less in the long run. In addition, its much finer appearance creates prestige. And its greater power, greater comfort and greater dependability enable the salesman to cover more territory and produce more business.

One-Profit value

Higher quality and lower price are made possible in Studebaker cars by savings effected through Studebaker's famous One-Profit plan of manufacture.

Particulars of Studebaker cars in fleet-service will gladly be sent to interested parties.—*The Studebaker Corporation of America, South Bend, Indiana.*



THE BALDWIN PIANO COMPANY
GRAND AND UPRIGHT PIANOS
AND PLAYER PIANOS
WHOLESALE - RETAIL - EXPORT

CHICAGO May 3rd, 1926.

The Studebaker Sales Company of Chicago,
2036 So. Michigan Avenue,
Chicago, Ill.

Gentlemen:

Attention - - Mr. Deutsch.

After several year's experience, Studebakers have proved to be most economical and satisfactory for our salemen's use, and for this specific reason: we found that the Studebaker stood up under the punishment of City driving and gave several years' service.

Our first Studebaker traveled 72,000 miles with practically no repair expense - we never had to touch the engine.

Of the eight Studebakers now in operation, one has covered 57,000 miles in two years. Two others have mileages of 25,000 and 23,000 respectively for just over a year's driving.

Our cars are used mostly in the City, averaging 75 to 100 miles a day. Operating expense is unusually low because upkeep is almost negligible, only minor repairs and adjustments being needed. Experience shows that Studebaker dependability not only cuts repair costs, but saves the time of our salesmen, enabling them to get in a higher number of calls daily.

We are thoroughly satisfied with Studebakers, for we have provedthat they cost less in the long run, and Studebaker local service, though seldom required, is everything we could desire in promptnessand efficiency.

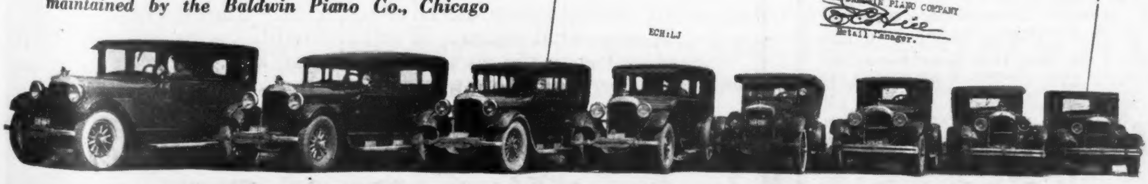
Yours very truly,

THE BALDWIN PIANO COMPANY

Retail Manager.

ECH:LJ

Below: The fleet of eight cars—all Studebakers—maintained by the Baldwin Piano Co., Chicago



STUDEBAKER CARS COST LESS IN THE LONG RUN

TRADE TENDENCIES

Business Is Sound But Less Active

Falling Off in Consumption Is Causing Manufacturers Output to Be Reduced—Margin of Profit Is Narrower in Many Lines.

METALS

Lighter Demand

THE somewhat slower rate of production in several basic industries has brought a noticeable let-up in the domestic consumption of metals. Buying has been light in past weeks and prices show a tendency to sag. Copper could be had in large amounts at 13⅞ cents, and, although this figure is still the nominal quotation, buyers have been able to obtain contracts at a concession. The leading lead smelter brought its price down to 7.75 cents a pound and again reduced it to 7.65, another reduction of approximately $2 a ton which brings the metal to a new low mark for the year. April statistics show both these metals in a slightly weaker position than in the previous month and curtailment from the record rate of output in 1925, which has also been continued through the greater part of the first quarter of 1926, would appear to be in order unless some unforeseen developments of a favorable nature materializes in the near future.

(*Please turn to page* 283)

COMMODITIES*

(See Footnote for Grades and Unit of Measure)

	1926 High	1926 Low	*Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)	20.00	18.50	18.50
Copper (3)	0.14⅝	0.13⅞	0.13⅞
Petroleum (4) ..	3.65	3.65	3.65
Coal (5)	2.17	1.87	1.87
Cotton (6)	0.21	0.18¾	0.18¾
Wheat (7)	2.10	1.83	1.90
Corn (8)	0.81½	0.70	0.70
Hogs (9)	0.14¼	0.11⅝	0.14⅛
Steers (10)	0.11	0.09¾	0.09¾
Coffee (11)	0.20	0.17⅝	0.20
Rubber (12)	0.98	0.48	0.48
Wool (13)	0.54	0.45	0.45
Tobacco (14) ...	†0.19	†0.19	†0.19
Sugar (15)	0.04¼	0.04	0.04⅛
Sugar (16)	0.05⅝	0.05⅛	0.05⅝
Paper (17)	0.03¾	0.03½	0.03½

*May 22.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb. †Change from 1924 to 1925 crop.

THE TREND IN MAJOR INDUSTRIES

STEEL—New tonnage continues slow, but a few products are in fairly good demand in the Chicago district. Output varies considerably with pressure for delivery against orders placed in first quarter but on the average is probably no higher than 85 per cent of capacity.

METALS—Lighter demand is reflected in lower prices of the major non-ferrous metals, with especial weakness in lead and copper. Slower rate of production is adversely effecting the domestic demand and foreign consumption is at a low ebb.

PETROLEUM—Further improvement in the demand for gasoline and other refined products is a sustaining factor in the present upward price trend. For the present, however, it looks as though materially higher prices would not be posted in view of recent increases in crude output and present supplies on hand.

SUGAR—With practically all of the mills ceased grinding by this time and the stocks of distress supplies in stronger hands, there appears to be some likelihood of a moderate price advance in anticipation of the seasonal increase in consumption soon at hand.

RUBBER—Further softening in prices suggests that restrictive measures may have to be relied upon to support a price structure more in line with planters' views. Heavier buying anticipated around this time to replenish inventories has not materialized to the degree expected.

AUTOMOBILES—Outlook for further reduction in output during the second quarter is strengthened as dealers fail to cut down stocks of cars on hand in spite of a seasonally better demand. Severe competition is looked for this summer.

COAL—Prices are easy in spite of preparations for exporting, as British coal strike is prolonged. A number of inquiries have already been made for export to England. Present supplies are sufficient to accommodate export demand without affecting prices.

TEXTILES—The movement for curtailment among the Southern cotton goods manufacturers is spreading. Many mills have adopted policy of working only on orders and are not increasing warehouse supplies. Woolen goods business is a little steadier but prices are unsatisfactory.

RETAIL TRADE—Merchandising has failed to make the seasonal gains noted in corresponding months of 1925. In Chicago district, however, retail trade is reported to be somewhat better. Weather conditions are still a factor standing in the way of better retail business.

SUMMARY—Manufacturers, who have been keeping their output as close as possible to actual consumption, find it necessary to slow down somewhat, which tends to keep **the business structure sound. Prices have again turned downward** and profit margins work narrower.

GROUP LIFE INSURANCE AN APPRECIATION OF SERVICE

(Continued from page 245)

Insurance as an appreciation of the loyalty of his employees and as a reward for length of service, and under such conditions prefers to bear the entire cost of his gift. Group coverage will sometimes take the place of bonuses or other annual gifts from the employer, while in other cases the employer takes this means of showing his interest in his employees at Christmas, or on special anniversary dates. Moreover, the total cost of the group plan to the employer is comparatively small when viewed in relation to the amount of the pay-roll—probably being less than 1% of it annually.

There are, however, a number of employers who feel that the interest and appreciation of employees are stimulated when they share in the cost of the Group Insurance. It is indeed quite human to feel an added appreciation for what is *personally* paid for. Under the contributory plan, with employer and employee sharing the premium cost, the employer agrees to pay the premium to the insurance company as it falls due, generally paying a substantial portion himself. On this contributory basis the plan does not go into effect until 75% of the employees eligible to be covered have agreed to contribute a certain fixed portion of the cost. If this were not required there would be an element of adverse selection on the part of the employees, those with impairments or otherwise uninsurable taking advantage of the group coverage, and the healthier members abstaining. This would, of course, tend to give a poor average mortality experience for the group.

Planning of Group Coverage

In taking up the question of Group Insurance, the employer usually finds it advisable to employ a certain amount of publicity, such as the distribution of explanatory literature, staff meetings to outline the plan and its benefits to the employees, and the help of an expert life insurance man to acquaint the staff with the advantages of the proposed protection—just what it means, why it has been provided, and how it is to be paid for. Probably many of the employees will be unfamiliar with the benefits of life insurance, and these benefits should be clearly explained to them.

Group Insurance has many economic advantages, from the viewpoint of both employer and employee. A man works with a higher courage, a better spirit, and a more contented mind when he knows his dependents will be provided for in case of his untimely death. The employer who is willing to reward his employees for faithful service and loyal co-operation gets in closer touch with his workers through this definite family protection. Improved relations between employer and employee must result from the good will evinced by this gift. Moreover, in many groups there are employees who are too old to get life insurance individually; others in the group have physical impairments which would normally militate against their obtaining this protection; while still others of advanced age would feel that they could not afford the cost of individual insurance coverage. A group will include all these men, along with the other members, giving to each one the advantage of this protection.

While some entrants in a Group Insurance plan may not at first recognize the benefits of this coverage, it is only necessary for one or two death claims to be paid to families of fellow-workers to impress all members with the advantages of the protection. It is interesting to note that in placing one group insurance plan in which the lives of 50 employees were covered, it was found that 17 of the men had *no* life insurance, 13 of these men were married, and 23 others were insured for $1,000 or less. Such men need a gentle compulsion to make them realize their responsibilities and the necessity for preparing for the unexpected happening.

THE FINANCIAL MAIL BOX

(*Continued from page* 215)

some of these writers claimed to have read or found in the original prospectus. Some parts of the plan were so miscontrued that the original idea was completely lost.

The greatest fault of numerous writers to the Inquiry Department seems an inability to differentiate between investing and speculating. Some think that because they purchase a bond or a stock outright—that is, pay the entire amount in cash—and because they intend holding that stock or bond for a long time, in itself this will lift a "cat or dog" promotion stock or even a listed speculative issue into the investment class. Of course, this is folly. Purchasers of stocks or bonds must decide for themselves what they want to do; that is, either speculate or invest. For those without experience or who are not fully and completely informed as to the value of securities, let them make inquiries from competent authorities before they make their purchases; not afterward when it is too late. In the business of buying stocks or bonds, there is one thing just as certain as death or taxes: if you speculate, you must be willing to take the risk, but you must know whether you should speculate or invest.

The majority of people who lose money in the stock market are ever chasing the elusive. They want well-rated security and high income yield, while the size or amount of the profit desired is always unlimited. Such is the financial rainbow which has caused more would be investors and traders to become lost than the children in the fairy tale who chased the rainbow, seeking the pot of gold at its end. However, one thing must be said in favor of the children; they, at least, had no experience to guide them. Grownups should know better, but display themselves as gluttons for punishment and keep coming back for more and additional beatings whenever they think their pocketbooks can stand it.

Now that the reader understands about how the Inquiry Man views some of his mail, let us look on the other side of the picture and find out what some of the people think of the Inquiry Man and of the information and opinions as expressed in his replies. To be very candid, everybody does not compliment those of us whose job it is to answer the inquiries. Once in awhile, some people express themselves in no unmistakable and uncomplimentary terms.

They call a spade a spade and leave nothing to the imagination. I have been asked to answer for and, to myself, as to just what earthly good I was when I couldn't even answer a very simple question as to which five or six stocks would advance fifty to seventy-five points in about two months. I have been threatened with legal action because the security I had recommended went down in valuation instead of up and thereby caused a loss to the extent of sixty dollars. In a case of that kind, I feel a great deal like the cloak and suit manufacturer who didn't think his bank was treating him altogether right because they called him on the telephone to say that he had overdrawn his account, when they never bothered to phone him when he had money in the bank overnight. A great many people, however, will write and express their appreciation for suggestions or opinions and even go so far as to mention the amount of money made.

As mistakes, incorrect appraisal of certain securities and other mishaps will occur in every business, so it will in mine, but, considering that there are thousands of stocks and bonds dealt in, bought and sold and considering the constantly changing conditions in the industrial and financial position of individual companies, the information and opinions expressed are, in the very vast majority of cases, correct. As far as statistical information is concerned, the Inquiry Man would have to go out of his way to give incorrect data as his information is derived from seven different sources; one checking the other.

During 1925, 115,000 people asked THE MAGAZINE OF WALL STREET that ever pertinent question:

"What'll I do?"

My colleagues and I worked very hard to answer these questions. We leave it to our readers to judge whether or not we have been successful.

SECTIONAL ANALYSIS OF U. S. BUSINESS CONDITIONS

(Continued from page 214)

agreement, the number of non-union miners is steadily increasing; and during the last week in April, non-union miners exceeded union in the Pittsburg district for the first time in 30 years.

Stimulated to continued activity by the building boom, cement manufacturers had a combined output of 157 million barrels last year. In view of the fact that their capacity is close to 200 million, this is not so favorable for the industry as might appear at first glance. It is doubtful whether the record demands of 1925 will be duplicated. This year so far does not show it, even though April sales considerably exceeded March.

Petroleum from the Appalachian fields is of constant, non-spectacular output. In addition there is the advantage of proximity to Eastern markets and seaboard. Until some three months ago, Pennsylvania fields suffered from competition with Mid-continent fields which export through the Gulf. With the rise in Gulf crude prices, the situation has become somewhat easier in the East.

Moreover, the Pennsylvania fields, in common with the eight refineries of New Jersey, are more secure now, with gasoline consumption steadily mounting and refinery prices firm at last year's level, than they were six weeks ago, when the gasoline stocks of the country rose close to 2 billion gallons.

Steel, the reliable barometer of industry, has reflected the gradual recession of the country's business activity.

Of the 89 million tons, produced in the world in 1925, the record output, the U. S. produced 46 million, and maintained our industry close to its theoretical capacity. Augmented by heavy buying by the automobile and building industries this spring, production was kept at the high level through April. In fact, steel ingots actually showed a 5% increase, in the first four months, over last year. But not long ago the U. S. Steel Corporation reported, as of April 30th, a decrease in their unfilled orders of 511,959 tons.

This, in connection with the recent decrease of 4.6% in the daily rate of steel ingot production, presages a somewhat lower mill operation for the summer.

The industry as a whole is close to 80% capacity at present with May business so far, better than April. Prices of finished steel have weakened slightly, now averaging 2.417 cents per pound against 2.439 last year this time.

Pig iron did not follow the course of steel closely. 236 furnaces produced an April tonnage which exceeded March. 237 furnaces are in blast at this writing and will doubtless equal the April output. Indications from various centers are that consumption is reviving.

3. *SOUTHERN STATES*

Turning south into the land of cotton, it is found that neither the grower nor the spinner is favored in the status of this industry. Again over-production characterizes the difficulty. The 1925 crop was a bumper of 16,086,000 bales, and to date 1,200,000 more bales have been brought into sight than at this time last year. All last year the price see-sawed, but with a downward trend. Fluctuations were so erratic that the grower was unable to protect himself through his usual hedges in futures, and sold his cotton in a falling market. Export, while it reached a high peak last October, declined 6% for the nine months of the cotton year, whereas the first four months of 1926 show a decrease in cotton export of 24% over the same period of last year. Meanwhile, although consumption has been at a rate exceeded only by 1923, there are prospects of a 4½ million bale carryover.

In the face of this situation, the grower has replanted only 5% less than the 46 million acres of the past season. While weather conditions, thus far, have not been favorable, and as a result the crop is two to four weeks late, the chances are that 14,000,000 bales will be produced.

The cotton manufacturer in the south now operates 70% of the active spindles of the country. Except that he enjoys cheaper labor, his situation at this time is not unlike his New England rival; in that he bought cheap cotton and did not cut his mill output until April (operations in many southern mills were cut 25% May first). As a consequence he is over-stocked and suffering from a narrow profit margin in a weak cotton goods market.

The tobacco industry in the south is better off than cotton. Although the average price received by the grower was only $18.30 per hundred pounds against $20.70 of the previous year, still the crop was larger, totaling 1,349,660,000 pounds of tobacco produced. The acreage for the 1926 crop will be slightly less than last year, not enough less, it may be added, to abide by the counsel of the Tobacco Association of the United States. In addition the acreage for North Carolina, Kentucky Burley and Maryland export type, are increased.

Tobacco manufacture is increasing in the south in accord with the tremendous growth in the use of the cigarette. In 1925, 75 billion cigarettes were produced, and consumption in the first two months of this year was 7% larger than last. Tobacco prices permit attractive profit margins on both cigarettes and smoking tobacco.

The Southern States were the only group to report building in April in excess of a year ago. The 10% increase was due principally to activity in Florida and Houston, Texas.

The latter state shows a diversity in prosperity as it does in products. Oil in the southern part is being exported in fair volume and at better prices than a few months ago. Refineries are active and tanker shipments to Eastern markets are steady. Saw mills are running full time and lumbering operations and shipments are apace with production. Last year's cotton crop in this state was short staple and resulted in many losses. The weather has militated against the present one. Grains, on the other hand, are in excellent condition. Livestock has wintered well, and are well corn fed in view of the low price of this commodity. While shearing, this spring, yielded a good wool crop of unusual quality, unfavorable prices prevent profit in this industry.

4. *WEST CENTRAL STATES*

The central west presents a picture of prosperity except in one large commodity,—corn. In this product, supply considerably exceeds demand and bids fair to continue to do so throughout this year, as stocks are very large. But as a matter of fact, neither consumption nor corn acreage can easily be altered. It must remain the principal crop on most corn belt farms. With the price at $0.70 per bushel as opposed to $1.11 at this time last year, it has been more profitable to keep hogs and cattle on corn feed than to market the corn. As a result, hogs have generally run heavier than usual this spring. In fact, with present prospects of a coming crop the size of last year's, the obvious way out of the farmers' difficulty is to raise more hogs and cattle in order to have less corn to sell; and to diversify his crops insofar as he is able.

The number of cattle raised, both beef steers and dairy cows, has decreased materially in the last few years. Receipts at slaughtering centers show livestock generally in good condition and in normal volume. Declining prices are more favorable to the stock raiser than the meat packer, whose margin remains small.

Winter wheat was reported in exceptionally good condition by the Department of Agriculture on May first. While 1925 production was 398 million bushels and this year's estimated at 550 million, we are not faced with heavy stocks, and farm profits are more assured. Rye and oats are also in favorable positions as to production and stocks. Although, in accordance with commodity prices generally, all grains are lower than last year.

Moving eastward in this section to the industrial area near the lakes, automobile manufacture looms up. It will be noted that on the map the designating spot of this industry indicates fair, even in consideration of the huge production figures of this spring.

(Please turn to page 256)

$100,000,000 sales in 16 months

When the car-owners of America have a preference, they stand up and proclaim it. When they find what they want, they rise in a body and go get it...

There's no mistaking the genuineness of the general enthusiasm for this handsome big Overland Six. There has never been anything half-hearted about it. It has left nothing to the imagination...

One Hundred Million Dollars in sales, in 16 months. That's expressing a preference with a vengeance. Never before has such emphatic public acceptance been registered for any single model of any make of car. Not in 25 years has this country witnessed anything like it!

* * * * *

Men are strong for this car because it gives them in such abundant measure all that a red-blooded driver yearns for in power and stamina, in speed and spectacular performance-ability . . . With a full 40-brake-horsepower delivered in a straight line from its low-swung gravity-balanced engine through to the rear wheels, nothing like its power or activity has ever appeared in anything of its size, or weight, or price-class!

Women care for it because of its conspicuous good looks, its long, graceful lines, the charm of its beautifully-blended two-tone color-combination. The rare comfort of its extra roominess appeals to them. Its air of quality, its richness, its completeness in all things large and small delight them!

The new Willys Finance Plan means less money down, smaller monthly payments; and the lowest credit-cost in the industry. Get the figures.

Willys-Overland, Inc., Toledo, Ohio
Willys-Overland Sales Co. Ltd., Toronto, Canada

OVERLAND SIX

SEDAN
$935
F.O.B. FACTORY
We reserve the right to change prices and specifications without notice

SECTIONAL ANALYSIS OF U. S. BUSINESS CONDITIONS

(*Continued from page* 254)

While it is believed that the market for pleasure cars and trucks will support good sales volume for some time to come, evidences of over-production are appearing. The relatively small reduction in output from March to April of only 504 cars against last year's cut of 10,000 at the same period does not jibe with the fact that many of the smaller producers did not make a normal seasonal gain in sales. It may be that the largest companies are taking the lion's share, but one leading producer has injected a factor of uncertainty into the price situation by a recent reduction which has occasioned some disquietude. It is yet too early to gauge the effects of stocks in dealers' hands.

Manufactured rubber goods, which of necessity largely shares the fortunes of the motor car, is in fair shape, with rubber prices down to last year's levels of this season. Those companies whose inventories are still showing stock at the peak prices of some months ago are not so well situated.

Some improvement has been noted in tire sales as the season advances; and the number of tubes and casings in dealers' hands is not appreciably larger than last year. Leading tire manufacturers, however, continue to operate on a schedule of 5 days a week, or less, and over 3,000 rubber workers have been laid off in the Akron district. Tire prices have been guaranteed to dealers until July first, so that reductions before that date would entail considerable losses to producers.

Pig iron and steel manufacture of this section have fared with the industry as a whole. Steel plants of Ohio are at 75-80% capacity, and fair activity is found in the Chicago district, with May showing a gain over April.

Oil production in Indiana and Illinois continues in moderate volume, while refineries of this territory continue to handle 15% of the country's light crude.

5. *MOUNTAIN STATES*

Wool growing appreciably lowers the prosperity of the Mountain States. With the steady decline in the price of this product, even considering the returns from the mutton and lamb, what is realized at present is close to the estimated cost of production. The sheep raisers have largely lowered their own market in their anxiety to sell; and the case in point is typical of the need for cooperative marketing, which now only partially exists in the industry. Stocks of recent shearings are being held by many farmers for a stabilization of prices.

The trend of non-ferrous metals has been downward. Copper is probably in the best position of any of them. It is true that its market has been weak for some time and that cut-throat competition has been rampant. Still, consumption continues to run ahead of production and mining operations are continually pushed. In such a situation, with domestic needs growing with the expansion of electric power transmission and European interest reviving, the price is bound to appreciate to levels assuring more satisfactory earnings to the producer.

Silver mining has been maintained at a much higher level than at any time in recent years. It is however somewhat unfortunate, in view, not only of its lowering price, but also of the decreasing of its use for coinage. The Chinese situation, moreover, is sufficiently unsettled to interfere with its normal flow to that country. On the other hand, the use of silver in the arts and industry is slowly increasing.

Gold also must be rated a scant fair, for whereas the miner has suffered from increased wages and cost of supplies, his selling price is stable at only $20 or less.

6. *PACIFIC STATES*

We have become accustomed to hearing optimistic reports from California, so that it is no infraction of custom to report favorable conditions in this section.

Attention has been called to the fact that the production of petroleum in California has been declining. It has; but in so doing, has been approaching normal after the initial period of excess. Further, these younger fields are more susceptible to irregularities than those more seasoned. California crude is still the cheapest in the country. The fuel oil constituent is vastly more important here than in other parts of the country where coal is plentiful, and refineries, in order to meet this demand, are obliged to produce gasoline far in excess of local requirements. In consequence, stocks of gas are high, in spite of export and Eastern shipments, and the distributor bears the burden of almost profitless prices.

An abundant fruit crop is materializing in this section two to three weeks ahead of time. The canner will profit by this, particularly in view of the low price of sugar, as well as the grower. Dried fruits have been also strong because of good Eastern demand. Grains and other farm products are in normal condition, although in Washington and Oregon, a period of dryness retarded crops to some extent.

Industrial development around the ports and cities is increasing, and power plants have been forced to considerable expansion to meet the growing demand for electric power. Building continues active, particularly in Seattle, but generally is of slightly less volume than last year.

West coast lumbermen have produced at a high rate. Mills have greatly increased in number and the "cut" has been heavy in Western pine and redwood. A considerable quantity has been exported as well as shipped to the East, where it met the competition of Eastern lumber even in a falling market. Prices are generally too low for high profits, but volume is substantial; both new business and shipments exceeding production by wider margins than last year.

CONCLUSIONS

Of the six sections into which the country has been divided, the Middle West and the Pacific Coast are perhaps the most prosperous and possess the most favorable prospects. The Middle Atlantic States rank next. New England is retarded by her textiles; and the South is in the least favorable position in spite of her bountiful crops.

In each of these sections, differing as they do in degree of prosperity and nature of industries, business is contending with certain tendencies common to all. Chief among these is the practice, developed during the past 3 years, of buying only in alignment with current business, and not contracting for stock. It cannot be interpreted, moreover, simply as an earmark of caution, since it finds its source, partly in the present efficient state of transportation, which makes unnecessary the carrying of large stocks with its consequent tying up of capital. The principle is further encouraged by the second common characteristic of general conditions, notably over-production of raw materials with subsequent flooding of markets and falling prices. Examples are unnecessary, the recurrence of "over-production" in the foregoing text is sufficient.

Speaking of over-production brings us to another feature which has served to emphasize it. It is the decrease in our foreign export trade. This year imports have persistently exceeded exports. It is symptomatic of European revival—if she is to pay her debts to us, she must buy less and sell us more. We must expect an unfavorable balance for a long period to come and should cut our cloth accordingly.

Taken as a whole, the condition of business in the country is not unfavorable. Recession from high prosperity has taken place and the summer may see further slowing down, as has been common in recent years. If, however, the forces of curtailed production are strong enough during this period and essential stabilization of prices takes place, the normal fall revival of trade will turn the business curve upward, at least for a time.

The next issue contains a list of non-dividend paying stocks which are the most attractive in their respective groups. This feature contains many valuable suggestions.

TEN LOW-PRICED STOCKS WITH ATTRACTIVE POSSIBILITIES

(Continued from page 237)

commercial aviation on a material scale, and government aviation, in the opinion of many experts, is much less extensive than it should be. Proper development along these lines, however, seems inevitable in the long run, and the recent agitation in Washington in connection with the Mitchell investigation should not be without some stimulating effect.

The bulk of Wright's business has been with the government, but the sale of well over 100 air-cooled engines to private customers during the last few months is encouraging, and indicates that perhaps a real start has been made in commercial aviation.

At any rate, there has been a distinct improvement in earning power. Income for the first quarter of 1926 equaled 80 cents a share, or at the annual rate of $3.20. This compares with $2.85 and $1.70, respectively, in 1924 and 1923. All net income is applicable to the common stock as there are no prior capital or floating obligations. The company rents its plant at Paterson, N. J., and the greater part of its assets are in the form of liquid investments which have a value per share greater than the current price of the stock.

The yield provided by the $1 annual dividend is not attractive, but with a continuance of current earnings, a higher rate would be easily possible. The stock at 30 is speculative, but nevertheless compares very favorably in future possibilities with similarly priced shares.

MAGMA COPPER

Price, 36
Div., $3
Yield, 8.3%

Conditions surrounding the industry in the past three years or so have been such that the larger number of copper companies has shown indifferent results. Some few have done well, however, these being the low-cost producers. Among the latter Magma holds an important place, although it is a relatively small company compared with its contemporaries, like Kennecott, Chile and Cerro.

Magma's status has improved considerably in recent years. The company's ore reserves are substantial, but during the period of post-war depression in the copper market, it became apparent that new policies must be adopted to maintain profits. Economy in operation was essential, and to accomplish it Magma decided to enlarge output and handle its ores in its own smelter. Accordingly, a bond issue was authorized to secure the necessary funds. While this smelter was in process of construction, Magma devoted its energies to development work on the properties in order to expand output.

The smelter was put in operation late in March, 1924, and promptly demonstrated its effectiveness in cutting production costs. Such costs, before depreciation and depletion, averaged 7.87 cents a pound in the first year of operation. Costs last year were even lower, being 7.51 cents, which shows that Magma is definitely established as a low-cost property and well able to show good earnings under relatively unfavorable conditions.

Net profits in 1924 were $2.20 a share for the 408,155 shares of no par common stock, which is now the only capital obligation, compared with $2.34 last year. The company's entire bonded debt was retired in June, 1925. In the first quarter of the current year Magma produced 7.12 million pounds of copper at an average cost of 7.89 cents a pound and realized an average selling price of 13.83 cents.

Dividends were resumed a little less than a year ago at the present rate of 75 cents a share quarterly. There is no great likelihood of an early increase in this rate, in view of the present copper situaton, but the current payment seems reasonably secure.

Recovery in copper prices should be reflected promptly in the market position of the shares which meanwhile afford an attractive yield.

TIDEWATER-ASSOCIATED OIL

Price, 24
Div., None

The present Tidewater-Associated Oil Company was recently created to provide a corporate structure for the consolidation of the Tidewater Oil Company and the Associated Oil Company. In the prior combine of Standard Oil of California and the Pacific Oil Company, the legal requirements of the State of California made it necessary for control of Associated to be relinquished by Pacific Oil, as Associated and Standard of California were competing pipe line owners. With several potential buyers in the market, negotiations between Tidewater and Associated finally resulted in a merger between the two, through the formation of the present Tidewater-Associated Oil Company.

The reserves of Associated are mainly in the thick and prolific California sands with a depth that ranges between 50 and 600 feet, compared with the 30 to 70-foot sands usually encountered in the Mid-continent section. These California fields are comparatively young and provide a reserve underground which is estimated at 72 million barrels. This figure does not include any of Tidewater's production nor any allowance for acreage held by the constituent companies in undeveloped sections.

The affiliated companies have an aggregate refining capacity of close to 130,000 barrels daily with a net-work of pipe lines and gathering lines of sufficient capacity to supply an equal amount of crude. The refineries are supplied at present both by the company's own production and by crude purchased from other companies, the amount being about equally divided between these two sources. The interchangeability of the properties of both companies should prove to be a very great advantage in both the producing and distributing divisions of their operations.

The new company will be capitalized with 763,471 outstanding shares of 6% cumulative preferred stock of $100 par value and 5,480,733 outstanding shares of no par value common stock when a complete exchange has been made. The combined balance sheets of both companies indicate a surplus of about 160 million dollars. *The common, earning around $3 a share, has interesting speculative possibilities.*

SUN OIL CO.

Price, 32
*Div., *$1*
Yield, 3.1%
**Also 3% in stock.*

The corporate existence of the Sun Oil Company, formerly known as the "Sun Company," dates back to 1901, but for years the stock was closely held and it was not until 1924 that the general investing public was permitted an insight into its affairs.

Sun Oil constitutes a complete unit in the petroleum industry, being an important producer, refiner, transporter and marketer of petroleum and its products. It is especially strong in its lubricating department. Products are sold under the well-known trade name, "Sunoco."

The company controls, by lease or through ownership of mineral rights, about 900,000 acres, located mainly in the Mid-Continent fields. Present production aggregates about 15,000 barrels daily. It also owns modern refineries at Marcus Hook, Penna., and Toledo, Ohio. The transportation end of the business embraces ten ocean-going tank steamers, 911 tank cars and about 480 miles of pipe lines.

Capitalization consists of slightly over 10 millions of funded debt and 1,034,373 no par common shares. Current assets total 14¾ millions, while current liabilities are less than 4¼ millions, indicating working capital of about 10.5 millions.

The company has consistently done well from an earning standpoint. Its showing in 1925 was excellent, net profit being equal to $3.48 a share on the basis of the present capitalization, against $6.27 on 320,000 shares of $100 par outstanding in 1924. These earnings were the best since 1920. The outlook is for further improvement.

Thus far, the stock has attracted little speculative interest and consequently has been inactive, *but it is obvious that any further progress along the lines indicated cannot fail to be reflected marketwise. In addition to the regular 25 cents a share quarterly cash*

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New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 5/26/26	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	140⅛	91¾	139½	122	137⅜	7
Do. Pfd.	106¾	96	102⅛	75	98	72	99½	94⅛	99	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	262½	181½	201½	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	94½	27⅝	95¾	83½	89¼	5
Do. Pfd.	96	77¼	80	48¼	67¾	38½	69¾	67½	†68½	4
Bklyn-Man. Transit	..	..	..	..	64	9¼	69¼	54⅛	67¾	4
Do. Pfd.	..	..	..	..	83¾	31⅜	86¼	78	84¼	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	162⅜	146½	162¼	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130⅛	46	136¼	112	125⅝	‡8
Do. Pfd.	..	..	..	..	130	96	136	119	†124	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	14½	9	10⅝	..
Do. Pfd.	181	130½	143	62½	76	7	22¼	14⅛	†18	..
Chi. & Northwestern	198⅛	123	136⅞	35	105	45⅞	81⅞	65¼	73¼	4
Chicago, R. I. & Pacific	..	..	45¾	16	58⅞	19⅛	60¾	40½	50	..
Do. 7% Pfd.	..	..	94¾	44	105	64	100	96	100	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	90	83¼	87⅜	6
Delaware & Hudson	200	147½	159½	87	160¾	83¼	174¼	150¼	160	9
Delaware, Lack. & W	340	192½	242	160	260½	93	153½	129	136¾	‡6
Erie	61¼	33½	59½	18¾	39½	7	40	22½	33¾	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	49¼	11⅛	45⅝	33¾	40¾	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	46¼	7⅛	43	30	37	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	78⅝	68½	74¼	5
Hudson & Manhattan	..	..	..	..	38⅜	20⅝	40	35	38	2½
Illinois Central	162⅛	102¾	115	85¾	125½	80⅞	124	113½	120¼	7
Interboro Rap. Transit	..	..	..	..	39¼	9½	52¼	24½	50	..
Kansas City Southern	50¼	21⅜	35⅛	13½	51	13	49¾	34¼	41¾	..
Do. Pfd	75½	56	65½	40	63¼	40	64	60⅝	63½	4
Lehigh Valley	121¼	62½	87⅛	50⅝	88½	39½	87	75½	83	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	143	118	126¼	6
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	45½	*¾	47⅛	32	37	..
Do. Pfd.	*78¼	*46	*60	*6½	92½	*2	95	82	90¼	6
Missouri Pacific	*77½	*21½	38½	19⅞	41¾	8¼	40¼	27	33¼	..
Do. Pfd.	..	..	64⅞	37½	91½	22¼	89¼	71½	83⅛	..
N. Y. Central	147¾	90⅜	114¼	62½	137½	64⅛	135⅝	117	126⅞	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	183	23¾	131¾	130	158½	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	47	9⅝	45¾	30⅝	37½	..
N. Y., Ontario & W	55⅜	25⅛	35	17	34¾	14¼	28⅞	19¾	22⅞	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	157¼	139¼	147½	‡7
Northern Pacific	159½	101¾	118⅞	75	99⅞	47⅞	76½	65¾	71½	5
Pennsylvania	75⅝	53	61½	40¼	53⅜	32¼	55⅛	48⅝	51⅝	3
Pere Marquette	*36½	*15	38⅛	9½	85½	12⅛	88½	67	86	6
Pittsburgh & W. Va	..	..	40⅜	17¾	123	21⅛	119⅜	85	104	6
Reading	89⅝	59	115½	60⅛	108	51⅞	90¼	79	85½	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42	40	†39½	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	42⅜	40	†41	2
St. Louis-San Fran	*74	*13	50½	21	102¼	10¾	101¼	85	94¼	7
St. Louis Southwestern	40⅜	18½	32⅛	11	69¼	10⅞	74	57½	67⅝	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	51	27½	30⅞	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	48⅜	31½	35	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	104¼	96⅛	101⅛	6
Southern Railway	34	18	36¾	12½	120½	24¾	119¾	103⅝	112¾	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	92½	87½	90⅞	5
Texas & Pacific	40½	10¼	29½	6½	70½	14	61⅝	42⅛	54	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	150⅜	141½	150¼	10
Do. Pfd.	118½	79¾	86	69	80	61¼	80	74¾	79¾	4
Wabash	*27⅞	*2	17½	7	47¼	6	52	33⅞	42	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	73⅞	17	78¾	68	72⅝	5
Do. Pfd. B	..	..	32⅞	18	60½	12¼	72	57	†60	..
Western Maryland	*56	*40	23	9¼	18⅜	8	16⅝	11	11¾	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	24	16⅜	18⅝	..
Western Pacific	..	..	25½	11	40	12	39¼	33¼	36⅝	..
Do. Pfd.	..	..	64	35	86½	51½	81	77½	79½	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	32	18	21⅝	..
Do. Pfd.	..	..	50⅝	16⅝	53½	9¼	50½	37	†41	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 5/26/26	Div'd $ Per Share
Adams Express	270	90	154½	42	117¼	22	116	99⅞	†113	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	16	7½	8⅞	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	142	106	118	4
Do. Pfd.	..	..	..	..	121¼	83	121⅞	118¾	†120	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	94½	78¼	81	6
Do. Pfd.	43	40	92	32½	109	67½	110½	105	110	7
Am. Agric. Chem.	63⅝	33⅛	106	47¾	113¾	7⅛	34⅜	15	17	..
Do. Pfd.	105	90	103½	89⅛	103	18¾	96½	51	57⅞	..
Am. Beet Sugar	77	19¾	108⅛	19	103¾	24½	38¾	22	23	..
Am. Bosch Magneto	..	..	..	..	143⅞	28	34⅜	16	18⅛	..
Am. Can	47⅜	6⅞	68½	19¼	*297⅜	*21	58	38⅞	46	2
Do. Pfd.	129¼	98	114½	80	121⅞	72	126¼	121	†125¼	7
Am. Car & Foundry	76½	36½	98	40	*201	97½	114⅞	91½	95½	6
Do. Pfd.	124¾	107½	119½	100	128	105¾	129	123½	†128	7
Am. Express	300	94¾	140½	77½	17	76	140	105⅞	†116	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	17½	7	9¼	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67¼	33½	40½	..
Am. Ice	..	..	49	8⅞	139	37	135¾	109	126	‡8
Am. International	..	..	62¾	12	132¼	17	46¾	33¾	36	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	87	75	76½	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	119⅞	90¼	98⅝	8
Do. Pfd.	122	75	109	93	124	96½	120¼	117¼	†117⅞	7
Am. Metal	..	..	..	..	57⅝	38¾	57⅜	47	50	4
Am. Radiator	*500	*200	*445	*235	*345	64	120¾	101¼	108¼	4
Am. Safety Razor	..	..	..	..	76¾	*3½	63	42	46½	3
Am. Ship & Commerce	..	..	..	..	47⅛	4¾	11⅞	5½	8¾	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	144⅛	29¼	144¾	109⅝	118	7
Do. Pfd.	116¾	98¼	118⅞	97	115¼	63¼	117½	112⅞	116⅝	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	46⅞	40	41	3
Do. Pfd.	..	..	..	..	113⅛	78	115	111	†113	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	82¾	65¼	68¼	5
Do. Pfd.	133½	110	123½	106	119	67½	105	100¼	†101¼	7
Am. Sumatra Tobacco	..	..	145¾	15	120½	6	16	8⅛	14½	..
Am. Tel. & Tel	153⅜	101	134½	90⅝	145	92⅛	150¾	141	148¾	9

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale 5/26/26	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	121⅝	111⅜	115½	8
Do. Com. B	..	..	..	..	*210	81¼	120½	110⅛	114½	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	74	43¾	50½	1.20
Am. Woolen	40⅝	15	60⅞	12	169½	34¾	42⅞	21¼	24	..
Do. Pfd.	107¾	74	102	72½	111⅞	69½	89¾	66	71½	7
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	51	41⅛	45½	3
Associated Dry Goods	..	..	28	10	*140⅛	46⅛	54⅞	37¼	40½	2½
Do. 1st Pfd.	..	..	75	50½	102	49⅞	102½	96	100	6
Do. 2nd Pfd.	..	..	49½	35	108	38	108	102	†105	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	59½	44¾	53⅞	2
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	68⅛	33⅛	39½	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	56¼	35¼	†40½	..
Atlantic Refining	..	..	..	..	*1575	78½	128⅜	97	126½	..
Austin Nichols	..	..	..	..	40⅜	8	28	11	15	..
Do. Pfd.	..	..	..	..	95	50⅝	93	75	77½	7
Baldwin Locomotive	60¾	36½	154½	26⅝	156¼	62¼	136½	92⅞	103¾	7
Do. Pfd.	107½	100¼	114	90	118	92	114	105	†109⅝	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	50¼	37¼	38½	..
Do. 7% Pfd.	80	47	186	68	108	78	105	100	100⅜	7
Do. 8% Pfd.	..	..	110½	92½	116⅝	90	120	114	116¼	8
Brooklyn Edison Electric	134	123	131	87	156½	82	146½	133	†137	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	78⅜	68	76⅛	4
Burns Brothers	45	41	161½	50	147	76	141¼	121	137	10
Do. B	..	..	..	..	53	17	44	29⅞	37⅝	2
Butte & Superior	..	..	105¼	12¼	37⅞	6½	16¼	7⅛	9¼	2
California Packing	..	..	50	30	136½	48¼	179½	121¼	134⅜	8
California Petroleum	72½	16	42⅝	8	71⅞	15⅜	38⅛	30⅝	33	2
Central Leather	51¾	16½	123	25⅞	116½	9⅝	20½	7⅛	10	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	43¼	52¼	..
Cerro de Pasco Copper	..	..	55	25	67½	23	69¼	57½	63	4
Chandler Motor	..	..	109⅞	56	141¼	26⅞	26	11¾	12⅞	..
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅜	30	32¼	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	21½	16	†19½	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	28½	29¼	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	93	99	8
Coca Cola	..	..	..	..	177¾	18	161½	128	149½	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	41¾	27⅜	41⅜	2
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	90	63½	78⅛	5
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	21¾	12½	17¼	..
Consolidated Cigar	..	..	..	..	80	11⅜	68	45¼	56½	..
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	104½	87	93¾	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	70	74⅞	‡5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	43⅜	35⅝	40½	2
Do. Pfd.	98½	61	113½	58⅛	127	96	129⅛	122½	†129	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	48	81½	64	68	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	11½	8⅝	9¼	..
Do Pfd.	..	..	100½	77¼	87	13⅛	49⅝	36⅛	38½	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	30⅜	24	25½	2
Cuyamel Fruit	..	..	..	..	74½	44	51	42⅛	44⅞	4
Davison Chemical	..	..	..	..	81¼	20⅜	46¾	27⅛	36	..
Dupont de Nemours	..	..	..	..	271¼	105	238⅞	193⅛	215	‡10
Eastman Kodak	*No Sales		*605	*605	*690	70	112⅜	106⅝	110¼	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	79⅝	71⅛	77	‡5
Endicott-Johnson	..	..	..	..	150	44	72⅝	65½	67	5
Do. Pfd.	..	..	..	..	119	84	118	114	†115	7
Famous Players-Lasky	..	..	..	..	123	40	126¾	103⅛	123½	8
Do. Pfd.	..	..	..	..	120	66	124	115	†121½	8
Fisher Body	..	..	43	25	*240	60¼	105¾	78¼	80	5
Fisk Rubber	..	..	..	..	55	5½	26¼	14¼	14⅝	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	84¼	76⅞	78	7
Fleischmann Co.	..	..	..	..	*171½	*75	56½	32¼	34½	2
Foundation Co.	..	..	..	..	183¾	58½	179¾	85	93¾	8
Freeport-Texas	..	..	70½	25¾	64⅜	7½	34⅛	19⅝	33¾	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	73	50	66¾	..
General Cigar	..	..	..	..	115¼	47	59½	46	52½	4
General Electric	188½	129¾	187¼	118	337¼	109½	386½	285	316	8
General Motors	*51¾	*25	*850	*74½	149¾	*8⅛	135¼	113¼	122	‡7
Do. 7% Pfd.	..	..	..	..	115	95⅛	118½	113½	118½	7
General Petroleum	..	..	..	..	59⅛	38⅜	65⅜	49½	63¾	3
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	70¾	45½	47	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	100	96½	†96	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	109¾	98½	99¾	7
Do. prior Pfd.	..	..	..	..	109	88	108	105⅜	108	8
Granby Consolidated	78¼	26	120	58	80	12	23½	16⅛	†18¼	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	24⅞	27¼	19¼	19½	1¾
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	62	69½	5
Hayes Wheel	..	..	..	..	52⅞	30	46	30¾	31½	3
Houston Oil	25½	8¼	86	10	116½	40¼	72	50¼	62⅜	..
Hudson Motor Car	..	..	..	..	139½	19½	123¼	55½	61⅞	3½
Hupp Motor Car	..	..	11¾	2½	31	4⅝	28⅜	17	19⅛	1
Inland Steel	..	..	..	..	50	31⅛	43½	34½	36⅛	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	26⅞	20¾	21¾	2
Inter. Business Mach.	..	..	52⅝	24	176¼	28¾	47	38⅛	45¼	3
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64⅛	33½	50½	2
Inter. Harvester	..	..	121	104	149⅝	66¾	134½	112¼	116¾	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	12⅜	7⅝	†8	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18⅛	46⅜	27	35½	..
Inter. Nickel	*227¼	*135	57½	24½	48½	24¼	46¼	32⅜	35½	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63⅜	44⅛	50¼	..
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	21½	12¼	†12¼	..
Do. 8% Pfd.	..	..	101	72	110	33	74¾	51	†51	..
Kennecott Copper	..	..	64¼	25	59¼	14⅝	58⅞	49¾	53⅝	4
Kinney (G. R.) Co.	..	..	..	..	103	35½	82½	61	†61	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	53⅛	57¾	4
Loew's, Inc.	..	..	..	..	44¾	10	41	34¼	37½	2
Loft, Inc.	..	..	..	..	28	5½	11¼	7	7	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	30¼	42¼	35¼	38⅜	3
Mack Trucks	..	..	..	..	242	25½	159	103½	108⅜	6
Magma Copper	..	..	..	..	46	26⅛	44⅞	34	†36	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	15⅝	†16½	..
Maracaibo Oil Explor.	..	..	..	..	37½	16	28⅞	20¾	23½	..

(Pleast turn to next page)

New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 5/26/26	Div'd $ Per Share
Marland Oil	..	..	..	..	60½	12⅛	60¼	49¼	58	4
May Department Stores	*88	*65	*97½	*35	*174¾	*60	137½	106⅞	†113	5
Mexican Seaboard Oil	..	..	..	..	34½	5¾	12⅝	6	8	..
Montgomery Ward	..	..	..	..	82½	12	82	56	60⅞	..
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	93¼	74	87	4
National Dairy Prod.	..	..	..	..	81⅞	30⅛	80	53	62¼	3
National Enam. & Stamp	30¼	9	54⅛	9	89½	18½	40½	22¼	23⅛	..
National Lead	91	42½	74⅝	44	174¾	63½	174¾	138	148⅜	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	44¾	36½	39⅞	2
Do. Class A	..	..	..	..	57½	45½	60½	55¼	†60½	4
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	45⅞	32½	36½	..
North American	*87⅞	*60	*81	*38⅞	*119⅛	17½	67	42	49¼	§10%
Do. Pfd.	..	..	..	..	50⅛	31⅞	50⅛	49	50⅛	3
Pacific Oil	..	..	..	..	78½	27⅛	83⅛	1	1½	..
Packard Motor Car	..	..	..	..	48½	9⅞	43⅝	31¾	33⅜	2
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	76⅛	56⅛	70¼	6
Do. Class B	..	..	..	..	111¾	34⅛	78⅜	56⅞	71¾	6
Philadelphia Co.	59⅛	37	48⅞	21½	68¾	26½	76⅝	59⅛	72¾	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	48⅜	36⅛	37¼	..
Phillips Petroleum	..	..	..	..	69⅝	16	49⅛	40	46⅛	3
Pierce-Arrow	..	..	65	25	99	6⅛	43⅛	19	23⅜	..
Do. Pfd.	..	..	109	88	111	13½	108⅞	76½	89	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	37¼	42½	31¾	32	..
Postum Cereal	..	..	..	..	*134	*47	124⅞	75½	88	4.40
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	41½	34⅛	†35	..
Do. Pfd.	112	88½	109⅛	69	106	67	87½	84¼	†86	7
Pub. Serv. N. J.	..	..	..	..	87⅞	29	92⅛	72	80	5
Pullman Company	200	149	177	106⅛	173½	87¼	174⅛	145¼	168⅝	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47	33	34¾	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	31	25⅜	28¾	1½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	46⅜	32	46	..
Ray Consol. Copper	27½	7½	37	15	27½	9⅞	12⅞	10⅛	12½	1
Replogle Steel	..	..	..	..	93½	7¼	15⅞	8⅞	9½	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅝	44	48½	..
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	95	91¼	†92	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅜	50	52¾	a1.33
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	102½	73	†80	4
Schulte Retail Stores	..	..	..	..	134⅞	88	138½	42½	46½	§8
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	49½	44¼	46	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	48⅝	40¾	†44⅛	.36½
Shell Union Oil	..	..	..	..	28⅜	12⅛	28⅛	24	25⅞	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	38½	39⅜	2
Simms Petroleum	..	..	..	..	28½	6½	28⅝	18	19⅞	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	24⅞	19⅜	23¼	..
Skelly Oil	..	..	..	..	35	8⅝	36⅛	26⅝	34½	2
Sloss-Sh. Steel & Iron	94⅝	23	93⅛	19½	143⅛	32⅛	136⅛	103	125	6
Standard Oil of Calif.	..	..	..	..	*135	47½	59⅜	52⅝	59¼	2
Standard Oil N. J.	*448	*322	*800	*355	*212	30⅞	46⅜	40¼	45½	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	119⅛	116¼	118½	7
Stewart-Warner Speed	..	..	*100½	*43	*181	21	92⅞	68⅜	70⅝	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	59⅞	60	6
Studebaker Company	49½	15¾	195	20	*151	30½	61⅜	47	49⅜	5
Do. Pfd.	98⅛	64½	119½	70	125	76	121	114½	118	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	16	10⅞	12	1
Texas Co.	144	74½	243	112	57¾	39	54⅞	48	52⅝	3
Texas Gulf Sulphur	..	..	..	..	121⅞	82⅝	142¾	119½	137	10
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	12⅛	15⅜	..
Tide Water Oil	..	..	225	165	195	5½	39¼	30¼	34¾	1½
Timken Roller Bearing	..	..	..	..	59⅜	28⅛	56½	44⅞	50½	‡3
Tobacco Products	145	100	82⅜	25	115	45	110⅜	95¼	102½	7
Do. Class A	..	..	..	..	110⅜	76⅛	113	103	108¾	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	4¾	3	3¾	..
Union Oil of Calif.	..	..	..	..	43⅜	33	49⅜	37¼	44⅞	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42⅛	99¼	83⅛	94¾	§3½
United Drug	..	..	90⅞	64	175⅛	46¼	167	134	153	8
Do. 1st Pfd.	..	..	54	46	58⅛	36⅝	58¼	55½	57⅜	3½
United Fruit	208½	126½	175	105	246	95¾	114⅝	98	106½	4
United Ry. Investment	49	16	27⅛	4⅛	41	6	27½	19¾	26¼	..
Do. Pfd.	77	30	49¼	10⅛	83¼	14	86¾	65	86	..
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7⅜	250	10⅛	210¼	150	165½	10
Do. Pfd.	84	40	67⅛	30	113	38	104	100¼	102½	7
U. S. Indus. Alcohol	57¼	24	171⅛	15	167	35¼	75½	45⅜	51⅛	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	48⅛	57¼	4
U. S. Rubber	59½	27	80⅛	44	143¾	22½	88¼	50¼	52¼	..
Do. 1st Pfd.	123½	98	115⅛	91	119⅛	66½	109	101½	104	8
U. S. Smelt., Ref. & Min.	59	30⅜	81½	20	78¼	18⅜	49⅞	36⅝	38⅜	3½
U. S. Steel	94⅞	41¼	136⅝	38	139¼	70¼	138½	117	122½	7
Do. Pfd.	131	102½	123	102	126⅝	104	129	124½	127⅝	7
Utah Copper	67½	38	130	48½	111	41⅛	105	93	†90	5
Vanadium Corp.	..	..	..	..	97	19⅛	37½	29	35¼	3
Western Union	86¼	56	105⅛	53⅜	144⅞	76	147⅜	134½	144½	8
Westinghouse Air Brake	141	132½	143	95	144	76	128⅜	105¼	112	‡6
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	79½	65	66¾	4
White Eagle Oil	..	..	..	..	34	20	29¾	25⅛	27⅛	2
White Motors	..	..	60	30	104½	29¼	90	51⅛	53⅝	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	18	20¾	..
Do. Pfd.	..	..	100	69	123⅞	23	99	91⅛	94⅝	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	9	6	8	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81⅛	*345	78½	222	135¼	142⅞	4
Worthington Pump	..	..	69	23⅛	117	19⅞	44¾	20¼	24¾	..
Do. Pfd. A	..	..	100	85⅞	93½	65	80	68½	68½	7
Do. Pfd. B	..	..	78⅜	50	81	53½	65	53	53⅞	6
Youngstown Sh. & Tube	..	..	..	..	92½	59⅜	89⅞	69	73	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock.
a Paid this year.

Securities and Commodities, Analyzed, Rated and Mentioned in this Issue.

Bonds

Commodities

Petroleum

Railroads

Mining

Public Utilities

Industrials

ANSWERS TO INQUIRIES

(Continued from page 246)

poor, but instead of showing an improvement in the late year a net loss of $114,317 was recorded, this, in spite of the fact that 1925 was an unusually prosperous automotive year. Its financial condition is none too sound, working capital being woefully inadequate, while cash amounts to about $114,000. In view of the fact that the outlook in this field is for much keener competition in later months, it is difficult to see where Reynolds can be expected to hold its own. The stock appears in the light of an unattractive speculation, with little incentive to hold. We suggest a switch to American Chain, Class A, to render your funds productive.

HUDSON MOTOR

I am not a gambler but I own Hudson Motor shares because I followed the recommendations in THE MAGAZINE OF WALL STREET *about a year ago and bought the stock for $31 a share. I have been almost dizzy watching it ever since but would not sell out while the price was coming down so fast. If it had gone down to about $40 I would have sold it because even then I would have a profit, but as it has started up again I would like to know how high you think it will go.* —*L. A. B., Brooklyn, N. Y.*

It is to be regretted that you have not derived the maximum of benefit from our recommendations. It is true that we advised the purchase of this stock around the levels you mention, but when it reached a point 100 points higher we invariable advised the acceptance of profits. The market course of Hudson stock was a natural one. The shares advanced far and rapidly, reflecting the unprecedented prosperity enjoyed by the company in 1925. Again running true to form, it declined in sympathy with the decided falling off in earnings in recent months. The recovery you mention followed the declaration of a stock dividend which may or may not be justified, but which acted as a curb on the shorts. Nevertheless, in view of the era of keen competition which appears to lie ahead in this field it is difficult to perceive where a sound basis exists for the expectation of higher stock prices in the near future. We would suggest accepting that part of your profit yet remaining.

TOBACCO PRODUCTS

Three years ago I had 100 shares of Tobacco Products stock left to me. It was selling at about $60 a share then and was on a 6 per cent basis, but has since been raised to 7 per cent while the price has held around an average of $105 a share this year. If business is going to be unsatisfactory this Fall won't this make the tobacco business poor and should I sell this stock and buy something else you could recommend? —*D. A. S., Brooklyn, N. Y.*

Tobacco Products common stock can hardly be accepted as having sound investment merit. The earnings of the company, in the nature of the business, have fluctuated from year to year, with the result that the shares have been sub-

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(*Continued from page 264*)

ject to erratic price movements in the stock market. Earnings were equivalent to $8.10 a share in 1925, rather below the $8.70 of the preceding year. On the whole, Tobacco Products' showing was creditable, but hardly one to enthuse over when one realizes that 1925 was an unusually prosperous tobacco year. The fall trade outlook is not sufficiently optimistic to warrant acceptance as an attractive holding. Little of a speculative nature attaches to this stock beyond the possibilities contained in its large stock interest in United Cigar Stores. We believe that a transfer to Reading for income and profit purposes would work out advantageously.

AMERICAN RADIATOR

Is the falling off in new buldings having a bad effect on the American Radiator business? I wish you would give me your opinion about this because I have all my savings tied up in this stock and cannot afford to lose any money on it. I paid $104 a share for the stock about six months ago when I thought we were going to have the biggest building boom this year that we ever had.—G. V. K., Hackensack, N. J.

It is rather early in the season to attempt to gauge the probable effect upon American Radiator of a decided falling off in building activities. That a recession must be looked for is indicated by the decline in activities in the first quarter, as against the previous period. Our impression is that things will be much quieter in the building field in later months. A natural sequence to this would be a corresponding falling off in the business of American Radiator. The company is dependent to a great extent upon new construction and any cessation in build-activities will undoubtedly be duly reflected in its income account. Even allowing for a duplication of its 1925 performance when slightly under $9 a share was earned on the common the stock does not appear attractive. We believe that a switch from this issue to General Motors, which is enjoying a substantial prosperity, would be to your advantage.

SUPERIOR OIL

Do you think there is any hope for Superior Oil to come back? The man who induced me to buy the stock at $7.50 about two years ago keeps after me to average down my stock to about $4.50 and tells me the company is on the way to making more money.—J. F. H., Detroit, Mich.

If one could confute an axiom he might, when speaking of Superior Oil, entertain serious doubts as to there being "hope while there is life." The outlook for this company appears very gloomy. Its record over a period of years has been of one deficit after another. The company lost $350,000 in 1924, $737,000 in 1925, and $182,000 in the first quarter of 1926. Total profit and loss deficit is around 3.25 millions. It stands to reason of course that the company cannot go on losing money indefinitely. Unless a change for the better occurs in the reasonably near future it is difficult to see where it can avoid a receivership. The long hoped for settlement of its liquidation with

(*Please turn to page 268*)

Sedan $895—Special Sedan $995
f. o. b. Detroit

Supremacy—in Fine Steel

In the percentage of Costly Chrome Vanadium Steel used, Dodge Brothers Motor Car outranks any other automobile in the World, regardless of cost.

It is everywhere conceded that Chrome Vanadium Steel is the toughest and most enduring metal ever created for use in the vital parts of a motor car.

It may not be so well known, however, that Dodge Brothers Motor Car ranks *first in the world* in the use of this costly and fatigue-proof material.

Dodge Brothers power assembly is almost entirely Chrome Vanadium—motor, connecting rods, crankshaft, transmission, universal joint, drive shaft, differential and rear axle.

Even the front axle is Chrome Vanadium—the entire steering unit—and *every* leaf of the springs.

In fact, wherever *any* manufacturer uses alloy steels, Dodge Brothers use costly Chrome Vanadium. And in numerous instances Dodge Brothers employ it where plain carbon steel, even in the costliest cars, is commonly thought sufficient.

This has been true from the day Dodge Brothers built their first motor car.

This explains why the words *Long Life, Safety* and *Dependability* are habitually associated with the name Dodge Brothers wherever motor cars are serving mankind.

DODGE BROTHERS, INC. DETROIT
DODGE BROTHERS (CANADA) LIMITED
TORONTO, ONTARIO

DODGE BROTHERS
MOTOR CARS

(Continued from page 266)

Atlantic Refining, upon which so much hinges, appears as far removed as ever. In view of these circumstances, and the almost hopeless outlook, we would advise you to employ your funds in other directions.

AMERICAN WOOLEN

I am very much worried about my investment in American Woolen consisting of 100 shares of preferred and 100 shares of common. I paid 103 for the common and 99½ for the preferred. What is the matter with the company? Is it the management or general business conditions in the woolen industry?—M. A. N., Kansas City, Mo.

Contrary to expectations, American Woolen was unable to earn its entire preferred dividend in 1925. Net profits were only $949,000, equal to about $1.90 a share on the preferred. After payments were made on the latter, a deficit of over 2.5 millions was shown. This was an improvement over the heavy deficit of 11.9 millions in 1924, but there is little satisfaction to be derived from that knowledge. Unfortunately, there appears little relief in sight. American Woolen is probably better managed than at any time in its history, but the industry served is still going through a period of readjustment, with continued scanty profits in prospect. Financial condition remains good, but unless things take a turn for the better it may not long remain unimpaired. We believe you would do well to switch to something of a more promising nature. A transfer to Loew's, Inc., from the common and to Brooklyn-Manhattan Transit preferred from the senior stock would seem satisfactory.

SINCLAIR CONSOLIDATED OIL

Two or three years ago I read so much about the Sinclair Oil Company's prospects that I bought 25 shares at $29 a share. Why doesn't the stock sell for more than it does now? Ever since I bought it the stock has been much lower and I want to know when I can expect to come out even.—K. S. W., Chicago, Ill.

The Sinclair Consolidated Oil Co. enters into its eleventh year of operation under favorable circumstances. Net earnings, but before depreciation and depletion, amounted to 9.3 millions in the first four months of 1926, gainst 5.16 millions in the same period of the preceding year. This comes on top of a better-than-average showing in 1925, wherein earnings were equivalent to $1.01 a share, against a sizeable deficit in 1924. The old saying that "ponderous bodies move slowly" finds apt illustration in Sinclair. This has long been a cumbersome machine, ten years being expended in expansion and the subsequent co-ordination of its far flung ramifications. Its building program appears to have been completed. Sinclair now constitutes a well rounded unit, being well situated in regard to production, refining, transportation and marketing facilities. From now on, given the benefit of fair oil prices, it should give a good account of itself. Progress in the stock market will probably be slow, but the stock appears entitled to sell higher than current price levels.

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AMERICAN LOCOMOTIVE

I wish you would be good enough to publish in your Inquiry Department something about the American Locomotive Company. I have 15 shares of this stock which I bought because I understood that it had enough income from investments to pay the dividends so that it didn't make much difference how business was. Do you think I can keep this stock for good without worrying about it?—P. A. M., Boston, Mass.

Your understanding is very nearly correct. American Locomotive is one of the richest companies for its size in the United States. At the end of 1925 the company owned cash and marketable securities aggregating over 23 millions. The merger with Railway Steel Spring, far from weakening its financial position, will add around 13 millions to liquid assets. Combined working capital of the two companies will be over 52 millions equal to $67.70 a share on 770,000 American Locomotive shares to be outstanding. The company just about held its own in 1925, due to poor business conditions existing during that period, but it entered the 1926 season on a more satisfactory basis, with a fair volume of unfilled orders on the books. In view of the more optimistic outlook ahead we believe you would be justified in continuing to hold as a speculation.

SIMMS PETROLEUM

I have held 50 shares of Simms Petroleum ever since it came out. My recollection is that I paid $34 a share for it. Can you tell me if I am likely to make a profit out of the stock within a reasonable time?—D. A. T., New York.

From time to time the affairs of Simms Petroleum have been treated in this column, and invariably our advice has been to dispose of the stock. Much capital was made out of Simms earnings of $3.85 a share in 1925, against $2.81 in the year preceding, but little consideration was given to the fact that most of the production of this company comes from short-lived fields. The decline in production we anticipated has already occurred. Output for the first quarter of 1926 averaged 9,197 barrels daily, against 13,750 barrels in the same period of 1924. This was duly reflected in income account, net amounting to but 18 cents a share, compared with $1.50 a share in 1925. In view of the fact that there is no reason to believe that Simms has seen the worst of things it is hardly likely that your shares will advance in the reasonably near future. We believe you would do well to switch to something with clearer defined prospects, such as California Petroleum.

All of these bonds have been sold.

New Issue | May 22, 1926

$35,000,000

United States of Brazil

6½% External Sinking Fund Gold Bonds of 1926

To be dated April 1, 1926 | Due October 1, 1957

Part of these bonds have been withdrawn for sale simultaneously in Europe by Messrs. Mendelssohn & Co., Amsterdam, Nederlandsche Handel Maatschappij, Pierson & Co., R. Mees & Zoonen, and others

Authorized $60,000,000 or the equivalent in Sterling; to be presently ssued $35,000,000. Interest payable April 1 and October 1. Coupon bonds in denominations of $1,000 and $500, registerable as to principal only. Principal and interest payable in United States gold coin of the present standard of weight and fineness in New York City at the office of Dillon, Read & Co. or, at the holder's option, in London in Sterling at par of exchange at the office of Messrs. N. M. Rothschild & Sons, free of all Brazilian taxes, present or future. Non-callable except for the Sinking Fund. The National City Bank of New York, Countersigning Agent.

The total issue is redeemable by maturity through the operation of an accumulative sinking fund which will call bonds by lot, semi-annually, for redemption at par and accrued interest

The Brazilian Government has agreed to make application in due course to list these bonds on the New York Stock Exchange

The following information is contained in a statement furnished by His Excellency, Dr. Annibal Freire, Minister of Finance:

These bonds will be the direct obligation of the United States of Brazil, and are issued under authority of Law No. 4625 of December 31, 1922, and Law No. 4984 of December 31, 1925. The total issue of bonds will be specifically secured, in the opinion of counsel, by a first charge on the receipts of the Government from Income Taxes and Taxes on Invoices (Contas Assignadas Duplicatas), by a charge on the Consumption Taxes subject to the charge of the 8% Loan of 1921, and by a charge on Import Duties subject to the charges of the 5% Sterling Loans of 1898 and 1914 and the 8% Loan of 1921. The total revenue derived by the Government from the above sources in 1924 was $117,000,000, and in 1925 $148,373,000. After deducting the indicated prior charges upon a portion of this revenue, which amount to approximately $11,798,400 per annum, there would have remained from the above sources in 1925 the sum of $136,574,600. The service of the present issue of $35,000,000 bonds for both interest and sinking fund calls for $2,625,000 per annum.

SINKING FUND

An accumulative sinking fund of 1% per annum, payable semi-annually, will be applied to the redemption of bonds by call by lot at par and accrued interest. The sinking fund will be increased by amounts equal to interest on bonds previously redeemed. This sinking fund is calculated to retire all of the bonds of this issue by maturity.

NATIONAL DEBT

The national funded debt of Brazil on December 31, 1925, was approximately $936,000,000, of which $626,000,000 was external. This represents a per capita debt of approximately $30, as against which the per capita national wealth is estimated at approximately $530. The Government has undertaken to resume in 1927 the sinking funds, on certain Sterling Loans, which have been in suspense under the terms of the Funding Agreement of 1914. The proceeds of the bonds are to be applied in reduction of Treasury obligations including floating debt.

(All conversions above of paper milreis into dollars are at the approximate current rate of 14.50 cents per milreis. Other conversions are at par.)

The statements quoted above, received partly by cable, have been accepted by us as accurate but are in no event to be construed as representations by us.

We offer these bonds for delivery when, as and if issued and accepted by us and subject to the approval of all legal matters by our counsel, Messrs. Cotton & Franklin, New York, and Dr. Alfredo Bernardes da Silva, of Rio de Janeiro. It is expected that Temporary Bonds, or Interim Receipts of Dillon, Read & Co., will be ready for delivery on or about June 4. 1926.

Price 90 and Interest. To Yield over 7.30% to maturity.

The above is subject to a circular, containing further information, which may be obtained upon request.

Dillon, Read & Co.

The National City Company | **Lee, Higginson & Co.** | **Blair & Co., Inc.**

White, Weld & Co. | **The First National Corporation of Boston**

Continental and Commercial Trust and Savings Bank

Illinois Merchants Trust Company | **The Union Trust Company Cleveland**

Kissel, Kinnicutt & Co. | **Ladenburg, Thalmann & Co.**

Hemphill, Noyes & Co. | **Paine, Webber & Co.**

Cassatt & Co. | **Edward B. Smith & Co.** | **Janney & Co.**

WHAT INFORMATION SHOULD CORPORATIONS WITHHOLD FROM SHAREHOLDERS?

(*Continued from page* 219)

to the way in which that net revenue has been built up. He has no means of predicting from fluctuations in their net revenue their possible net revenues next year, since he does not know the amount of business of which such net revenues constitute a percentage. He may make plausible guesses, or he may assume that the relation of gross and net revenues in other companies in the same field is a guide to profits in the company which does not disclose its gross. When it is remembered that in a great many industries some companies publish their gross and others omit these figures, and that those who publish such figures are not at all handicapped by so doing, it appears that this item ought not to be omitted.

Apart from purely financial data, corporations differ considerably in amount of data revealed concerning production. The U. S. Steel Corporation's unfilled tonnage figures are classic in this field. In the automobile industry such producton figures are quite well known. Here, however, one must always expect less information, between annual reports than in the financial figures, for much of this kind of information inevitably tells competitors too much. Even the U. S. Steel Corporation, contrary to popular belief, does not in all respects carry its heart on its sleeve. It still considers its business interests primary.

There has been an increasing demand for more frequent earnings reports, and agreements to that effect are now made between corporations requesting new listings and the New York Stock Exchange. While gross earnings by quarters ought to be reported, the case is not so clear for net earnings. Net earnings for any given year are the product not only of quarterly operations, but of many write-offs, special revenues, etc., not wholly allocated to any one quarter. Hence it is a common occurrence for the estimated net revenues for three-quarters of a year to equal the ultimate annual net earnings per share. That three quarters, however, equal four quarters is not good mathematics. It arises out of the fact that quarterly statements are of necessity fragmentary, whereas annual statements are comprehensive. If estimated net income were reported semi-annually with some cautions attached, the investor would obtain a pretty fair index, and yet not be apt to over-estimate its importance.

A great many industries do not do business fairly evenly in all four quarters of the year. The toy business, for example, does a disproportionate business in the fall, before Christmas. Hence for three-quarters of the year it would show both poor sales and heavy bank loans. While this is an

extreme example, others will readily occur to mind.

There are many businesses which do not move in regular business cycles, and hence whose earnings are not always well represented even by annual earnings. Where a new crop takes eighteen months to mature, as in cane sugar, the cycle of profits is likely also to be irregular. Quarterly earnings statements would not here be significant, and might be misleading.

The best remedy for such irregularities would be to adopt a procedure used exclusively by the Federal Reserve Bank. This is known to experts as "smoothing seasonal differences." That is to say, where years of experience demonstrate that an average amount of toy business is done in the first quarter of the year, then this amount of business is represented as 100. If 10% more than that average amount of business is done, the industry is credited wth 110% of normal for that quarter. If such smoothed figures were published besides the absolute figures, it would correct many hasty impressions.

A most important move by the Stock Exchange has been to require corporations to discriminate in their annual earnings statements between such items as occur as normal operating profit and other income. In the case of Woolworth, for example, such segregation has considerably helped our knowledge of the company. We know that the rate of profit on actual sales has not been as large as was thought, but that other sources of income are very important, especially the British investments of the company. As such it will assist analysts in their ability to forecast more closely Woolworth net earnings.

A rapidly diminishing practice, but one occasionally met with, is the habit of corporation officials acting as touts for the stocks of their companies by giving out bullish information, in which the implications, if not the facts, are grossly overstated.

With respect to such misinformation, it is plausible to assume, on the basis of past experience, that such touting is resorted to to conceal some obvious weaknesses in the company that would otherwise injure its position. In such a case silence would be infinitely the better policy. No punishment can be too severe for such practices, since there is no valid reason for their employment.

A nice question, of course, arises when a corporation is getting into difficulties, and, for example, has to inflate bank loans. If it reveals its weakness at once, it injures its credit position and thus may destroy any chance of safeguarding the stockholder's equity. If, on the other hand, there are fundamental changes in capital position or earning power, and they are not revealed to shareholders, something akin to deceit is being practised. This dilemma shows how intricate is the question of publicity, and how little it can be solved by mere formulæ.

The investor is fully within his rights in demanding more information

as to company assets, earnings and production figures. He has a right to the maximum quantity, quality and frequency of such information. He has a right to as much uniformity of reporting as consistent with various types of business. But his right to information ceases at such points at which publicity would serve to imperil his equities by divulging such information as would place his company at a disadvantage with competitors.

LEARNING THE BUSINESS OF SECURITY TRADING

(Continued from page 229)

to fit even a paper trading plan to market history in the making, than to a panorama of past performances; something new will continually crop up for the interpretation of which there seems to be no precedent. To test out your methods thoroughly, even on paper, and revise them as occasion demands, will require a much longer period of time than one might anticipate. But if you fail to show profits on paper, without risking serious inroads into your imaginary capital, it would be foolhardy to begin speculating with real money in a real market, unless you are willing to rely on competent authority.

To keep posted on current information you will naturally read at least one daily newspaper, and its financial section; and will subscribe to one or more of the periodicals that specialize on information and ideas of interest to the speculator and investor. The trade journals of industries in which you may be especially interested are well worth using; but their editorial conclusions as to outlook for the future are seldom of much value to the speculator. The safest procedure is to cull out the facts, and draw your own conclusions.

Actual Trading At this juncture it will probably be just as well if the debutant speculator has only a little capital available for trading purposes. It will save him from plunging before he has learned to swim in deep water. It is sometimes astonishing how quickly the theoretical profits of a paper trading expert will fade away when he is turned loose with a margin account. On paper, one's patience is unlimited, and paper profits and losses are not likely to ruffle the experimenter's equanimity. But the antics of the beginner's mental reactions under actual trading conditions are frequently appalling. Rumors that would have left him unruffled when no real money was at stake, now make him restless with apprehension of loss or incite him to buy at the top and sell at the bottom. All his good resolutions are thrown to the winds, and his capital begins to shrink away through whipsawing.

Your first trades with real money

should involve the minimum of risk. Ten shares at a time, on a fifty or hundred per cent margin, is all that should be attempted until you become thoroughly acclimated to all sorts of conditions that may arise. There is more than one authenticated instance on record in which traders of exceptional ability have amassed fortunes from an initial trading capital of even less than a thousand dollars; but it is quite possible that the speculator of average ability may dissipate several units of a thousand dollars before acquiring the knack of holding profits consistently above losses.

If the start of your try-out with real money chances to coincide with the rapid marking-up stage of a great bull market, there is danger that you may credit to your own skill a success that is really due to the irresistible tide. It is well to temper your elation with the thought that one can never really know the business, or his own capabilities, until he has passed successfully through a panic.

Know When You Are Licked

The crucial problem during this period of apprenticeship is to determine to your own satisfaction, at the earliest possible moment, whether or not you are adapted to speculation. If not, it would be suicidal to start plunging and doubling up to recoup losses. The only solution is to quit trading and try investing. There are many sound dividend-paying bonds and preferred stocks that can be bought outright under conditions that favor a gradual appreciation in price. This method may be slower than the purchase and sale of common stocks on margin; but it is safer and less nerve racking. Finally, if you can not make progress in the plan of investing for income and profit combined, there still remains the time honored method of investing for income only. Savings banks, short term notes and first mortgages are non-fluctuating media that will cause you no loss of sleep.

There is nothing harder for a man than to recognize his own inability to "Beat the market." But there are many who seem to be unadaptable to speculation and constitutionally disposed toward conservative investment. There is no stigma upon belonging in this catagory, and it would be greatly to your credit to quit a game for which you are not fitted before throwing good money after bad. The time spent in trying will not have been lost, for you will have acquired a liberal education in finance and general business that will have a distinct cash value in whatever career you may have adopted. Of course, there is another way of speculating without going into a deep study of the fundamentals required. That is to follow the advice of competent authorities on the subject. This, however, is not the concern of this series of articles which is dedicated to those who wish to learn for themselves the principles of speculation so that they may be able to apply them after

sufficient experience and study. Nevertheless, it is a fact that a good many successful speculators know very little of the science of speculation but who have had the good sense to follow judgment more mature than their own.

No Royal Road To Success After reading this chapter, it may seem that we have set up needlessly high standards of qualification, and laid out an absurdly strenuous course of study and training. But a lifetime's experience and observation in the Street have convinced the writer that there is probably no field in which skill counts for so much, and money for so little, as in this business of speculating in securities. And it is a skill that one usually acquires only after years of practical experience.

Part II on Manipulation will appear in the next issue.

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$6	Adams Express	$1.50	Q	6-15	6-30
$2	Amer. Chain "A"	$0.50	Q	6-19	6-30
7%	Amer. Linseed Pf.	1¾%	Q	6-18	7-1
$8	Amer. Loco. cm.	$2.00	Q	6-11	6-30
$7	Amer. Loco. pf.	$1.75	Q	6-11	6-30
$4	Amer. Radiator cm.	$1.00	Q	6-15	6-30
$6	Amer. Ry. Express	$1.50	Q	6-15	6-30
$9	Amer. Tel. & Tel.	$2.25	Q	6-19	7-15
7%	Armour & Co. pf.	1¾%	Q	6-10	7-1
7%	Armour Del. pf.	1¾%	Q	6-10	7-1
$3	Artloom Corp. cm.	$0.75	Q	6-19	7-1
$7	Atlantic Coast cm.	$3.50	SA	6-15	7-10
..	Atlantic Coast cm.	$1.50	Ext	6-15	7-10
..	Cal. & Arizona	$1.50	—	6-4	6-21
$8	Ches. & Ohio cm.	$2.00	Q	6-8	7-1
$6½	Ches. & Ohio pf.	$3.25	SA	6-8	7-1
$4	Chic. Yell. Cab	$0.33⅓	M	6-19	7-1
$8	Famous Players cm.	$2.00	Q	6-15	7-1
$0.80	Fed. Lt. & Trac. cm.	$0.20	Q	6-15	7-1
Stk	Fed. Lt. & Trac. cm.	$0.15	Q	6-15	7-1
$2	Glidden Co. cm.	$0.50	Q	6-16	7-1
$7	Goodrich, B. F., pf.	$1.75	Q	6-15	7-1
$8	Goodyear pr. pf.	$2.00	Q	6-15	7-1
$5	Gulf States St'l cm.	$1.25	Q	6-15	7-1
$3½	Hudson Motor	$0.87½	Q	6-15	7-1
—	Hudson Motor	20%	Stk	6-10	6-15
$4	Int'l Cement cm.	$1.00	Q	6-15	6-30
$6	Int'l Shoe cm.	$1.50	Q	6-15	7-1
$4	Kennecott Copper	$1.00	Q	6-4	7-1
$1.20	Kresge, S. S., cm.	$0.30	Q	6-15	6-30
$6	Louis. & Nash	$3.00	SA	7-15	8-10
7%	May Dept. Strs. pf.	1¾%	Q	6-15	7-1
$4	N. Y. Air Brake A.	$1.00	Q	6-9	7-1
$2	Niag. Falls Pow. cm.	$0.50	Q	6-15	6-30
$2	Oil Well Supply	$0.50	Q	6-15	7-1
$3	Owens Bottle cm.	$0.75	Q	6-15	7-1
$3	Phillips Pet.	$0.75	Q	6-15	7-1
$8	Schulte Ret. pf.	$2.00	Q	6-15	7-1
$6	Sloss-Sheffield cm.	$1.50	Q	6-10	6-21
$3	Texas Co.	$0.75	Q	6-4	6-30
$4	Underw'd Type. cm.	$1.00	Q	6-5	7-1
$4	United Fruit new	$1.00	Q	6-5	7-1
$2	United Cigars cm.	$0.50	Q	6-10	6-30
5%	United Cigars cm.	1¼%	Q Stk	6-10	6-30
$4	Weber & Heil. cm.	$1.00	Q	6-16	6-30
$4	White Motor	$1.00	Q	6-15	6-30
$4	Young. Sh. & T. cm.	$1.00	Q	6-15	6-30

Georgia Communities Welcome Industry

GEORGIA manufacturers find that the communities in which they are located take a personal interest in their success. This friendly public sentiment is graphically described in the following statement from Mr. Forrest Additon, furniture manufacturer and Mayor of Flowery Branch, Georgia.

Georgia Railway and Power Co.,
Atlanta, Ga.

Gentlemen:

"I attribute my success as a manufacturer of furniture, to the availability of plenty of intelligent native white labor, favorable weather conditions, abundance of raw material supply, and to the encouragement of practically the whole community. I have shipped furniture to 42 states and to several foreign countries, in spite of the fact that furniture is a commodity that is subject to unusually heavy freight rate.

"Last year we changed from steam to electric power, and although about half our fuel was supplied by scraps and shavings from our plant, we find the electric current more than 12% cheaper than the steam boiler as a power producer.

"I am a Yankee from Maine, and the fact that I have several times been elected mayor, without any particular qualification for the office, should be positive proof that the old-time anti-northern sentiment has completely died out in the South.

"Considered from any angle, I am certain that the North Georgia highlands offer the greatest inducements obtainable by industries seeking new location."

GEORGIA RAILWAY AND POWER CO.

A CITIZEN WHEREVER WE SERVE

THE AUTOMOBILE INDUSTRY'S GRAVEYARD

(*Continued from page* 217)

industry and, for different reasons and purposes. Such being the true case, would it be reasonable to assume that Dodge, Willys-Overland, Chrysler, Studebaker, Pierce-Arrow, White Truck and Mack Truck will choose to ignore a trend that appears so obvious?

It would be impossible to forecast here the possible combinations which could be worked out in this industry. However, the material to work on is there and while a proposal to some executives might be scorned at the moment, these same proposals might appear exceptionally desirable in time.

It would not be fair to conclude this article without giving consideration to affiliated industries. That field offers exceptional merger possibilities within the near future, according to authorities. Automobile body builders, wheel manufacturers and other organizations constituting the general automobile industry are finding it more difficult to operate successfully and profitably, therefore a merger appears to be the only solution of the problem. The general opinion is that any merger occurring will be limited to the combining of the largest and most successful companies in each field but it is not expected that companies operating in separate fields will combine to make a lateral trust.

Summing up the situation these are the features: (1) there is a definite trend toward elimination of automobile manufacturers; (2) possible absorption of Hudson and Essex by Ford, and (3) the combining of some sales departments, affiliated industry consolidations and perhaps definite merger proposals for the list of companies heretofore mentioned.

WHAT'S IN STORE FOR THE LEADING STEEL STOCKS?

(*Continued from page* 233)

talization is larger in relation to capacity than any of these including the U. S. Steel Corporation.

Earnings are, likewise, considerably more variable. The company made an exceptionally brilliant showing during the war years and again in 1920 when net profits piled up at the rate of $19.55 a share for the common stock. In the following year, however, Republic canceled a good share of its previous gains with a 7.48 million dollar deficit after dividends were paid.

No dividends have been forthcoming for the junior shareholders since the last quarterly payment in May, 1921. Yet, despite the irregularity of earnings, Republic has kept its finances in good shape and enjoys a strong working capital position. At the close of 1925, net current assets were in excess of 27 million dollars while current liabilities totaled but 5.15 millions.

The recovery in net income last year, when net profits of $6.88 a share were reported for the common stock compared with $0.55 the twelve months preceding, coupled with $2.95 earned in the first three months of the current year, have raised hopes, in certain quarters, of renewed dividend payments to the junior stockholders.

No action has thus far been taken by the company's directors, however, and it seems a fair inference that any decision to resume payments will be postponed until there is more certainty that earnings can be maintained on a basis to justify common dividends.

At current levels around 47, Republic common may be said to have some speculative possibilities, but by comparison from an investment viewpoint, the shares are not so favorably situated as those of the larger companies whose earning power has shown itself to be more consistent under varying conditions.

Bank and Insurance Stocks

Quotations as of Recent Date

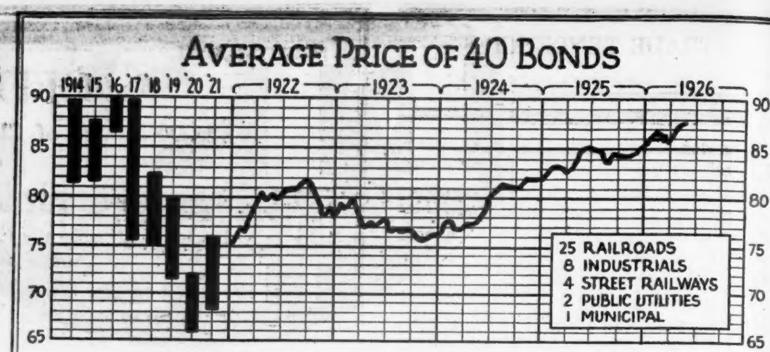
	Bid	Asked
NATIONAL BANKS:		
American Ex-Pacific (18A)	428	435
Chase (20A) (D)	417	422
Chatham & Phenix (16)	340	345
Chemical (24)	745	760
City (20A)	592	600
Commerce (16)	368	373
First (N. Y.) (100A)	2525	2575
Hanover (27)	1030	1060
Park (24)	490	500
Public (16) (D)	510	525
Seaboard (16)	590	610
TRUST COMPANIES:		
Bankers (20)	602	610
Bank of N. Y. & Trust Co. (22)	595	610
Brooklyn (30)	735	760
Central Union (33)	830	850
Empire (16)	335	345
Equitable (12)	263	268
Farmers' L. & T. (16)	495	505
Guaranty (12)	365	370
Irving-Columbia (14)	310	315
Manufacturers (20)	490	500
New York (20)	495	505
United States (60)	1700	1750
STATE BANKS (NEW YORK):		
America (12)	345	...
Corn Exchange (20)	550	560
Manhattan Co. (8C)	223	228
State (16)	590	610
United States (10)	295	305
INSURANCE COMPANIES:		
Aetna Fire (24)	540	545
Aetna Life (12D)	655	675
{ *Fidelity-Phenix (6)	175	177
{ *Continental (6)	124	128
Glens Falls (1.60)	38	40
Globe & Rutgers (28)	1350	1450
Great American (16)	284	288
Hanover (5)	182	187
Hartford Fire (20)	470	485
{ *Home (18)	337	340
{ *Carolina (1)	28	31
Milwaukee Mech. (2.20)	32	35
National Fire (20)	710	720
Niagara (10)	220	230
{ *North River (4)	107	115
{ *United States (4.80)	138	145
Stuyvesant (6)	215	222
Travelers (20D)	1160	1180
Westchester (2.50)	45	46
SURETY AND MORTGAGE COMPANIES:		
American Surety (8)	168	173
National Surety (9)	207	212
Lawyers Mortgage (14)	270	275
Mortgage Bond (8)	135	141
JOINT STOCK LAND BANKS:		
Bankers of Milwaukee (4E)	90	105
Chicago (10)	125	130
Dallas (10)	142	150
Denver (8)	127	133
Des Moines (4E)	95	105
First Carolina (8)	120	130
Kansas City (10)	126	132
Lincoln (9)	130	135
St. Louis (9)	160	165
Southern Minnesota	100	110
Virginia (.50B)	7⅛	7¾

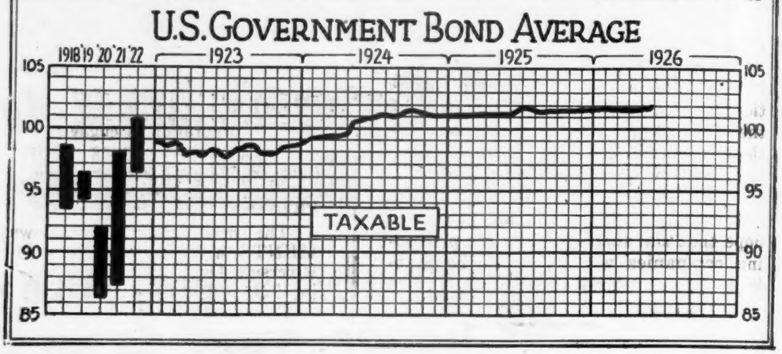
(A) Includes dividends from Securities Company. (B) Par \$5. (C) Par \$50. (D) Ex-rights. (E) Annual rate not definite. Based on Jan. 1st payment. *Members same group.

BANK and insurance stocks had an extremely quiet market, characterized by few important changes in quotations. Recovery of *Aetna Life* in such a market is all the more interesting as it indicates that examination of the individual position of the company was a basis for the newer quotations. This advance was the inevitable result of the success of recent new financial arrangements of the company. The errors of past management with reference to its subsidiary, the Automobile Insurance company, have been fully liquidated, and Aetna Life begins with a clean slate. This column has always expressed faith in its recovery, and believed the stock to have been grossly undervalued, when the extreme deflation in its market price occurred. Recuperative powers of a great company must always be given due weight.

It is interesting to note that two new national banks have been organized in the last week in Brooklyn. Nearly all of these new banks have small capital, and the largest recent organization begins with only \$500,000. A clear majority begins operations with \$200,000 or less. What they depend upon largely is the deposits of organizers, their friends and business associates to build up a neighborhood clientele. Naturally such banks have a great temptation to build up their business in competition with other larger institutions by a less careful scrunity of statements made by borrowers. Another and more serious danger is that when a small bank is organized, it is in reality a glorified credit union, and, as such, is likely to favor unduly the needs of its directors. Now that the organization of new banks has become a veritable craze, in which many inexperienced business men think they can easily duplicate the successes of other banks, it is time to analyze closely their possibilities. The number of inquiries received by THE MAGAZINE OF WALL STREET on such new stocks indicate the extent of the movement. It must not be forgotten that the double liability clause attaches to national bank stocks, and that while this consideration can be forgotten in the case of large institutions, it is quite serious in the case of new, untried and small banks. Despite the supervision of the Comptroller of the Currency, and, where they are member banks, of the Federal Reserve Bank, it remains true that failures of national banks are known. Hence the popularity of bank stocks should not lead investors away from sane counsel. Nevertheless several of the newer banks meet real needs, and are offered at reasonable prices. It would be nonsensical for any sweeping remark to be made about newer bank organizations. Large profits are inevitably made out of purchases of new stocks, on the ground floor, at prices that represent capital and surplus with earning power yet to be demonstrated. It is best however, not to expect too much profit from subsidiary security companies.

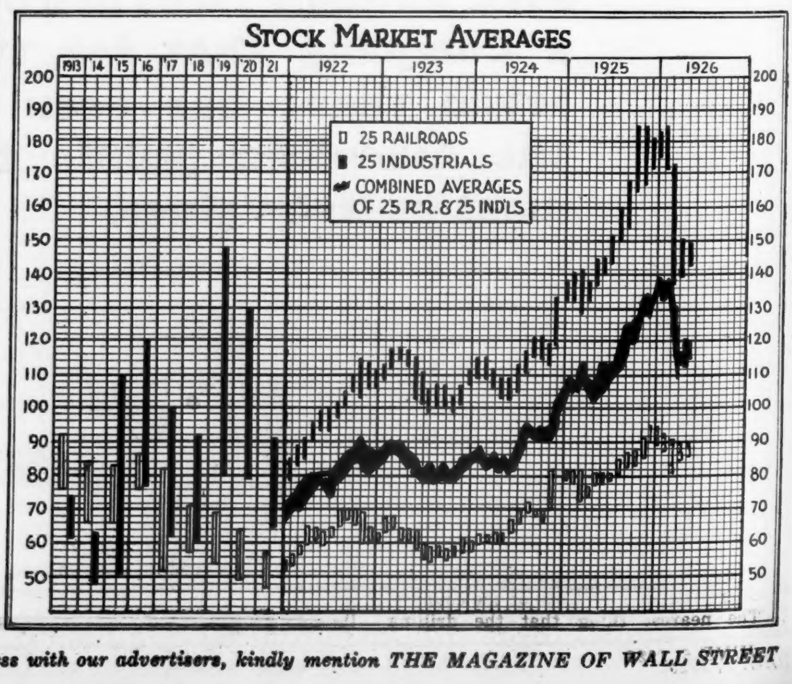
Investors should remember the old fable of the frog that blew itself up to rival the size of the ox.





MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Thursday, May 13.	87.54	139.45	106.45	116.79	116.09	911,288
Friday, May 14....	87.52	138.84	106.45	116.23	115.44	813,966
Saturday, May 15..	87.47	138.02	106.25	116.00	115.55	578,092
Monday, May 17...	87.49	137.97	106.25	115.71	115.06	1,034,991
Tuesday, May 18..	87.47	137.53	106.45	116.19	115.19	954,120
Wednesday, May 19	87.50	137.16	106.42	115.78	114.77	888,749
Thursday, May 20.	87.60	138.66	107.51	116.90	115.34	1,196,340
Friday, May 21....	87.62	140.27	108.10	117.96	116.76	1,191,967
Saturday, May 22..	87.60	140.41	108.91	117.96	117.13	551,509
Monday, May 24...	87.61	141.16	108.84	118.69	117.39	1,093,513
Tuesday, May 25..	87.70	141.20	109.23	119.20	118.14	1,282,223
Wednesday, May 26	87.63	141.64	109.57	119.39	118.35	1,377,670



TRADE TENDENCIES

(Continued from page 248)

The domestic situation is fairly good, but not up to last year. The foreign situation as far as the metal markets are concerned is decidedly worse. In England, the prolonged coal strike is threatening operations of the basic industries. Germany is producing more slab zinc than can be taken up by the Continent and is looking for a market for the surplus. France threatens to sell surplus copper held over by the government from the war in the form of shells and other war materials. The only bright spot in the foreign situation is the progress in the formation of the Copper Export Trading Corporation. Several meetings have already been held by Americans with European representatives in the interests of the new trading association and there is hope that the surplus of larger producing companies will hereafter be marketed more orderly.

PETROLEUM

Gasoline Consumption Expands

Although the latest available figures show that stocks of gasoline at the end of March were the highest in the history of the petroleum industry, more recent reports of heavy movement of gasoline stocks indicate that the supply on hand is being reduced by current consumption. A marked increase in the demand for gasoline has been noted by both the jobbing trade and the ultimate consumer. Price advances are expected to be well sustained by further demands that the normal spring consumption usually makes on stocks on hand. Kerosene has also been in heavier demand and both the domestic and the export quotation for this petroleum product has been advanced. Lubricating oils have responded to the price trend of other products in spite of sizeable stocks available.

Crude oil production is now at a daily average of over two million barrels for the first time in 1926, but the increase in output is by no means as sharp as during the corresponding months of 1925. The sharp increase in the spring of 1925 was due largely to the contribution of the Smackover field to the nation's total output and so far in the current year there is no indication of a similar flood of the crude. Heavy shipments of crude to the refineries make it necessary for a number of the producers to draw upon oil in storage, especially in the mid-Continent field where refinery capacity exceeds the daily average output. The most significant feature of the recent increases in production is the fact that the added volume was evenly balanced among the chief producing sections of the country. The nearest thing that the drilling

division of the industry has come to finding a new supply of crude has been the successful drilling in the deep sands underlying proven fields in both California and Oklahoma. Except for this new source, the enlarged output is coming from extension drilling in proven areas.

Commodities

CORN THE corn-hog ratio, is especially interesting this spring. Live hogs are commanding the best price since 1922, the prevailing price of $13.75, as an average, being $1.45 in excess of prevailing price in May, 1925. Nevertheless there are few hogs in evidence this year as against what there will be when the hog carry-over of the poor price crop of 1925 is marketed. Hogs do not take up all of the carry-over, as is indicated by heavy stocks for cash deliveries and a rather sluggish demand. An interesting market complication has been the taking over of corn on a $1 valuation by International Harvester in exchange for implements. All of these factors brought corn to a low point since 1923—72 cents on July and 76 cents on September are scarcely reassuring.

WHEAT Wheat is breaking away from the potent influence of gyrations in the May options immediately before close of delivery for that month. Supplies were small, and the short interest tardy in covering, and the resultant fireworks obscured market fundamentals. Premium on May over July rose to 30 cents. It was considered good market judgment to switch into July at so attractive a discount. At $1.40 July looks low and at $1.35 there seems to be no indication that September can face extended declines. Of course the short interest in July acts as though hedges in that month, especially from the Southwestern growers, will depress the July delivery. Naturally all will depend on the amount available for delivery at that time, and if present contract wheat situation at Chicago is repeated, the shorts may find themselves doing penance, unless they switch to September in time. September then appears the best commitment now, although crop estimates still incline to the bearish side.

COTTON Reduced textile mill activity and general slackness in domestic dry goods has more than compensated for recovery from the British general strike, in the export field. In the meantime cotton trade attention has been focused on the new rules proposed in cotton trading, which were defeated. Agitation for southern delivery on New York contracts still keeps most traders interested, however. Until Government estimate appears on July 2nd, nebulous crop reports have little effect. October at 17.64 and December at 17.55 show the market is pursuing watchful waiting.

BOSTON & MAINE RAILROAD

(Continued from page 221)

sources, however, will naturally come from the new money, thirteen millions, provided under the readjustment plan.

The Present System

The present Boston & Maine system, a consolidation of some 77 small roads, comprises some 2,330 miles lying chiefly in the northern half of Massachusetts and New Hampshire, with lines east to Troy and Rotterdam Jct. to Albany, N. Y., north through Vermont to Canada and through Maine to Portland. In a general sense the company is a northern New England extension of the New Haven.

As previously indicated the system is made up of relatively few main lines and a large percentage of branch lines. By far the most profitable lines are the Fitchburg and Berkshire Divisions, jointly reaching from Boston to Rotterdam Jct., 406 miles or less than 20% of the mileage of the system. Another fairly profitable section is the 530 mile Portland Division.

Although passenger business has steadily declined in recent years, this form of revenue still constitutes a relatively large amount of total revenues, 24.8% in 1925. Distribution of freight tonnage is good and embodies a high percentage of manufactures. The classification in 1925 was—agriculture 14.3%, animals 2.7%, mines 27.1%, forests 11.8%, manufactures and miscellaneous 36.8%, and less-than-carload 7.3%.

Although the contemplated rehabilitation of the Boston & Maine can scarcely be considered well under way, operations in 1925 were productive of a number of new efficiency records. This attainment was rather the cumulative effect of past expenditures. New records were made in train loading, ton miles per train hour, car miles per car day, with improvement in various other efficiency units. The number of freight cars on line was the lowest on record and the unit of fuel consumption the best in five years. As a result operating expenses were reduced over three millions from 1924, while revenues increased over one million.

Transportation expenses, perhaps the best single index were reduced over 1.6 millions in the face of increased business. The ratio to gross of 40.2% was the lowest in the present Boston & Maine's history, and compares with a ratio of 41.7% in 1916, the company's best year of recent times. In the latter year the maintenance ratio stood at 23.9% and in 1925 at 32.0%, indicating very favorable current treatment of the property.

Total income of $13,395,127 in 1925 covered fixed charges of $7,926,217 by a margin of 69%, equal to the showing of a number of very highly regarded railways. The balance of $5,468,909 was equivalent to 14.08% on the first preferred stock and 6.92% on the common as indicated in the tables. This does not include dividend requirements of $910,000 on the new prior

Active B. & M. Issues

	Recent Price	Yield %	
Plain (now Mtge.) 4½s, due 1929 (extended)......	87	5.17C	
" " " 4s, " 1942................	75	6.54	(A)
" " " 4s, " 1926 (extended)......	93	4.30C	
" " " 4½s, " 1944................	93	5.38	(A)
Mortgage "M" 6s, due 1933	100	6.00	(B)

(A) Boston Stock Ex. (B) N. Y. Curb Mkt. (C) Current return.

Boston and Maine stock issues are traded in on the Boston Stock Exchange

	Recent Price
7% Prior Preference	100
" First Preferred "A"	72
" " " "B"	81
" " " "C"	72
" " " "D"	120
" " " "E"	40 bid
6% Preferred (old) (unstamped)	45 bid
—Common	48

Note: First pfd. to be consolidated, and old preferred abolished.

preferred stock, hardly a fair deduction until the money has been secured and put to work.

Earnings In 1926

In the first quarter of 1926 Boston & Maine reported surplus after all charges of $1,020,160, which compares with $99,293 in the first three months of 1925. At least two additions to earnings are certain to appear in 1926 in comparison with 1925. Authority was given towards the end of last year to drop mileage from which an annual loss of $200,000 had been sustained, and since the first of the year lease to the Canadian Pacific for 30 years of a section of line in northern Vermont has been affirmed. The basis of this lease is 6% on valuation and will bring about $246,000 per annum to Boston & Maine.

Should the Congressional bill to reduce interest on the government loans to railroads be passed, and the prospect is not now very bright, a saving to Boston & Maine of $840,000 yearly would have been effected. Moreover, this constitutes a continued possibility.

It appears highly probable that in the current year the road will get its operating ratio down to that of the New Haven in 1925—74.0%. In the first quarter of 1926 the ratio was 77.7% against 83.0% in the first three months of 1925 and 77.2% for the full 12 months period.

This modest achievement would add some $2,600,000 to earnings, producing net income of say $8,070,000, equivalent to over $60 a share on the new prior preferred, over $18 on the first preferred and over $11 on the common.

Back of Boston & Maine's present and prospective earnings is a picture of tremendous asset value. The tentative government valuation of the transportation property brought up to December 31, 1925, is $282,435,926. This compares with a book figure of $255,843,686 and outstanding capitalization of $266,199,370. The company claims a value nearly two hundred millions in excess of the official figure, but confining present consideration to the latter an asset value of over $300 a share for the first preferred stock and over $200 a share for the common is indicated. Moreover, the 5¾% operating return to which the company is entitled works out to $24 a share and $17 a share on these issues respectively.

The vital factor concerning a road in Boston & Maine's position is, of course, its credit. The previous estimate of 1926 income would mean fixed charges earned 2.02. Net fixed charges are only about 8⅛% of gross revenues. Debt makes up but 62% of total capitalization and after readjustment will be but 58%. Ultimate conversion of the extended bonds would bring this well below 50%. With the latter already selling on a 5¾% basis, readjustment is not dependent upon extension of the 6% government loans.

The conclusion seems unavoidable that these bonds and the various issues of stock represent a very unusual opportunity.

CORN PRODUCTS REFINING CO.

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a depressed sugar market, however, has been given undue weight in some quarters. There is a steady demand for corn sugar by certain industries such as the candy and baking industries where there is little incentive to substitute cane sugar under any circumstances. This, together with the wide consumption developed for the trade-marked products of the company, such as "Mazola" and "Karo," provides a back log which should militate against any severe decline in future earning power.

It is indeed difficult to see how Corn Products' earnings can very well fall below last year's figures except in the event of a severe general business depression. For the greater part of 1925 the company was face to face with the combination of high corn and low sugar. As a result the balance for the common stock was the smallest for many years, $2.16 per share, or slightly in excess of dividend requirements.

An interesting commentary on the character of the management is furnished through its refusal to maintain a high rate of production under such conditions. Instead, two of the four manufacturing plants were closed down, inventories were liquidated, and the already strongly entrenched working capital position was actually improved to the extent of almost 2 millions.

That the corn market is a much more important factor than the sugar market is borne out by the manner in which earnings have progressively improved in the last two quarters, about 60 cents and 90 cents a share, respectively, against an average of slightly over 50 cents in the first nine months of 1925. Corn prices applicable to operations in the December, 1925, and March, 1926, quarters have been sufficiently low to permit a satisfactory margin of profit.

Looking at the other side of the picture, the prospects for increased consumption, there are two possibilities of an encouraging nature. The cane sugar situation, although it cannot be said to have definitely turned the corner, at least seems to have reached a point where the next sustained trend of the market should be upward rather than otherwise. A stiffening in cane sugar prices automatically renders corn sugar more attractive for industrial uses, and redounds to the benefit of Corn Products.

Another more specific development in prospect is a bill at present before Congress which if passed would repeal the present restriction that products containing corn sugar must be so labeled. Corn sugar, while not so sweet, is in the opinion of scientists just as wholesome. The proposed law would materially extend the company's business through eliminating ill-founded public prejudice.

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Belief in the soundness of Corn Products Refining is well demonstrated by the fact that since the splitup the common has never sold below 31½ and last year was always at a level at least 15 times the earnings for that year. *At present prices around* 38 *the yield is hardly attractive, but for those placing solid values and a good outlook ahead of immediate return, the stock is by no means without merit.*

BUYING BONDS FOR PROFIT

(Continued from page 241)

judge for yourself. To date the return on my money has been something above 20% per annum. I calculate this income in the following manner. Considering profits already taken, "paper profits" available at current quotations and the interest received from coupons, my income has been the equivalent of 8¼ points per bond in about five months or at the rate of over 20% yearly.

The International Tel. & Tel. and the Granby Consolidated bonds were originally bought on their prospects but I expected to hold them for a period of several months at least. The rather sharp advance in market value within four or five weeks after I bought them made it advisable to sell out and take the profit. For my purpose, such an advance in price rendered the bonds unsuitable for further retention. All the other issues listed in the table, I still hold, and unless conditions change in the meantime, I shall continue to hold them up to a price level around that indicated in the table. It is possible, that for some unforeseen reason, the trend of the bond market might turn before these levels are reached. Until such time as I find other issues with better prospects, however, I shall continue to hold them even though the present price falls off, for in my opinion, they are all good investments for my purpose.

I consider these bonds investments as part of my capital. Consequently, when arranging a switch or on reinvesting I never take up any sums remaining. If necessary I prefer to add enough cash from my checking account to make up the balance for another $1,000 unit. Perhaps I can best express my investment purpose as the endeavor to accumulate capital by taking advantage of opportunities as I find them in the bond market. While this may not be pure investment, it certainly is not speculation either and from a personal standpoint it suits my purposes admirably.

The Magazine of Wall Street has compiled a list of books on Speculation, Economics and Business subjects published by other companies. All of these books have been read by our Staff of experts and we heartily recommend them to our readers. We invite further correspondence about this list. Address your inquiries care of Book Department.

TEN LOW-PRICED STOCKS WITH ATTRACTIVE POSSIBILITIES

(*Continued from page 258*)

dividend, stock dividends at the rate of 8% per annum are being disbursed. The net yield is, therefore, 6.1% at current prices.

GENERAL ELECTRIC SPECIAL

Price, 11
Div., $0.60
Yield, 5.5%

The electrical equipment business ranks among the relatively more stable industrial activities and General Electric is its most important representative, being largest both in point of gross sales and assets. In the course of development, the company has acquired an interest in sundry public utility enterprises. The principal one of these, Electric Bond & Share Co., was divorced in January, 1925, when General Electric's stock in this concern was distributed to its own shareholders. The company's security holdings are still extensive, however, and constitute a source of income independent of ordinary operations.

Dividends have been paid on the common shares without a break since 1899. Extra dividends in the form of stock were paid at frequent intervals during this period. In 1922, however, the company adopted a policy of paying such extras in the shape of "Special Stock" of $10 par value.

This special stock is without voting rights but is entitled to dividends cumulative at the rate of 6% per annum and may be redeemed at $11 a share on any dividend date. The special stock is thus, in effect, a preferred stock, although not so-called. The 35.72 millions of this issue outstanding at the close of 1925 were preceded by no other obligation than 3.25 millions of bonded debt. Net tangible assets at the same time were 294.98 million dollars, so that the special stock is, clearly, strongly bulwarked by assets.

Its earnings protection will also be evident from a comparison of the 60 cents per share dividend requirement with actual earnings of $10.82 and $19.69 a share, respectively, last year and the year before. The smaller per share earnings in 1925 were due, of course, to an increase in the amount of special stock outstanding. While this total is being gradually increased, through the medium of extras for the common shares, it is difficult to conceive a condition under which dividends would be endangered.

This situation is reflected in the relatively low yield afforded, but for the out and out investor who may wish to purchase a low-priced, solid investment stock or invest small sums periodically, General Electric special stock commends itself as a substantial medium since its price fluctuations are quite limited.

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HUDSON & MANHATTAN

Price 38
Div. $2.5
Yield, 6.6%

To appreciate the real earnings possibilities of this carrier, one must realize that it taps a rapidly-growing center of population, represented by New Jersey "commuters," many thousand of whom are employed in New York. The road's uptown New York terminal is practically in the heart of the shopping and theatrical districts, and, after September 1, 1926, several railroads, now enjoying the terminal facilities of the Pennsylvania Station in New York, will be discharging passengers in New Jersey, on the west bank of the Hudson River, compelling them to use ferry-boat transportation to the Metropolis or the tunnels of the Hudson & Manhattan. This road will thus provide the logical connection for these various railroads, as it would be more convenient and practical to deposit passengers at 33rd street and 6th avenue, one block east of Pennsylvania depot, via Hudson & Manhattan. A considerable amount of extra traffic should be obtained, therefore, without extra cost.

Since 1921, Hudson & Manhattan has shown a steady increase in gross and net earnings while income from sources other than railway operations, principally real estate, amounted to 1.83 millions in 1925, equal to about 84% of interest charges on funded debt. In time, the lines of this company probably will be extended and into other territory productive of revenue. An extension of ten miles beyond present terminals in New Jersey would increase traffic tremendously and fill a public necessity.

Hudson & Manhattan common shares occupy a semi-investment position in view of the consistent upward trend of net earnings. There is little prospect for an early change in the current dividend but the probability of expansion outlined lends a considerable degree of speculative attractiveness to the issue over a long pull.

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